

# **ANALYSIS ON THE ECONOMIC POTENTIAL AND COMPETITIVE ADVANTAGES OF SOUTH TANGERANG CITY IN BANTEN PROVINCE IN THE PERIOD OF 2012 - 2016**

**Minor Thesis**

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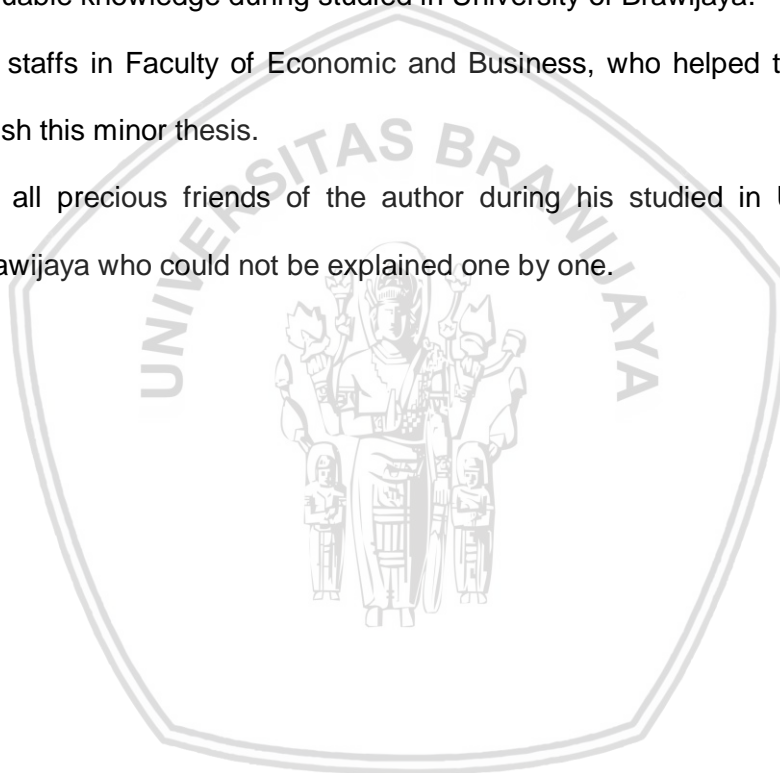
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This minor thesis is proposed to fulfill one of the partial requirements in order to obtain a Degree in Bachelor of Economics in Faculty of Economic and Business. The author realizes that in the preparation of this minor thesis there are still many deficiency and imperfection during this thesis due to the limited of ability which the author had.

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Malang, 7 March 2018

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## ANALISIS KEUNGGULAN POTENSI DAN KOMPETITIF EKONOMI KOTA TANGERANG SELATAN DI PROVINSI BANTEN DI PERIODE 2012 - 2016

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### ABSTRAK

*Di era globalisasi ini, pembangunan ekonomi mempunyai peran penting dan juga bisa disebut sebagai salah satu usaha untuk menciptakan kesejahteraan masyarakat. Oleh karena itu, hasil pembangunan harus dapat dinikmati oleh seluruh rakyat sebagai wujud peningkatan kesejahteraan secara adil dan merata. Penelitian ini memiliki tujuan untuk mengetahui sektor-sektor ekonomi unggulan di Kota Tangerang Selatan, Provinsi Banten guna meningkatkan pertumbuhan ekonomi Kota Tangerang Selatan.*

*Tujuan utama pembangunan ekonomi regional adalah untuk meningkatkan jumlah dan jenis peluang kerja bagi masyarakat lokal. Dalam upaya mencapai tujuan, pemerintah daerah dan masyarakat harus bersama-sama mengambil inisiatif pembangunan daerah. Oleh karena itu, pemerintah daerah dengan partisipasi warganya, dan dengan menggunakan sumber daya yang ada, harus dapat menilai sumber daya potensial yang diperlukan untuk merancang dan membangun ekonomi regional (Arsyad, 1999: 108).*

*Perubahan cepat dalam struktur ekonomi global menuntut perencanaan pembangunan ekonomi yang mampu beradaptasi dengan perubahan, yang dapat digunakan sebagai dasar untuk menetapkan strategi kebijakan sehingga tujuan pembangunan dapat tercapai, karena perencanaan pembangunan ekonomi bertujuan untuk meningkatkan standar kehidupan, memperluas pekerjaan, meningkatkan penghasilan, meningkatkan hubungan ekonomi regional, dan mengatasi kemiskinan. Selain itu, otonomi daerah telah memberikan peluang bagi pemerintah daerah, baik provinsi dan kotamadya, untuk mengembangkan daerah potensi mereka sendiri. Pemerintah daerah memiliki kewenangan untuk mengelola masalah keuangan mereka sendiri dan menentukan arah pembangunan untuk mencapai kemakmuran bagi penduduk di wilayah tersebut. Dengan kata lain, arah pembangunan ekonomi adalah memastikan bahwa pendapatan rakyat meningkat, bahwa pendapatan didistribusikan secara adil, dan bahwa pekerjaan diperluas.*

*Transformasi struktural ekonomi adalah prasyarat peningkatan dan keberlanjutan pertumbuhan ekonomi dan lapangan kerja. Ini juga mendukung keberlangsungan pembangunan itu sendiri. Sehubungan dengan perubahan dalam struktur ekonomi regional, pemerintah provinsi dan kota harus dapat secara jelas mengidentifikasi pergeseran sektoral. Munculnya sektor-sektor baru dalam perekonomian daerah merupakan perkembangan positif bagi perekonomian daerah. Perkembangan sektor-sektor baru pada akhirnya mampu meningkatkan kesejahteraan masyarakat setempat karena mereka meningkatkan pendapatan dan peluang kerja, belum lagi output daerah.*

*Analisis yang dilakukan adalah dengan membandingkan PDRB Atas Dasar Harga Konstan Kota Malang seri 2010 dan PDRB Atas Dasar Harga Konstan Provinsi Banten seri 2010. Model analisis yang digunakan adalah analisis Location Quotient (LQ), analisis Shift Share, Analisis Model Rasio Pertumbuhan (MRP), dan analisis Tipologi Klassen.*

*Berdasarkan hasil penelitian, kebutuhan tersier menjadi peran penting dalam pertumbuhan ekonomi akan tetapi, perencanaan pembangunan Kota Tangerang Selatan dapat diarahkan ke sektor-sektor yang secara unggulan dapat mendorong percepatan pembangunan daerah sesuai dengan identifikasi potensi melalui alat analisis dalam penelitian ini sehingga rumusan kebijakan Kota Tangerang Selatan mampu secara tepat mengenai sumber daya dan potensi yang dimiliki oleh Kota Tangerang Selatan dalam rangka meningkatkan pertumbuhan ekonomi.*

*Sesuai hasil alat analisis tipologi kelas Kota Tangerang Selatan memiliki sektor ekonomi yang unggulan dan tumbuh pesat dibandingkan dengan sektor yang sama di Provinsi Banten hanya (a) Perdagangan Besar dan Eceran: Reparasi Mobil dan Sepeda Motor.*

*Kata kunci: Pembangunan Ekonomi, Sektor Ekonomi Unggulan, Location Quotient, Shift Share, Model Rasio Pertumbuhan, Tipologi Klassen*



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**ABSTRACT**

*In this era of globalization, economic development has an important role and can also be called as one effort to create community welfare. Therefore, the results of development should be enjoyed by all people as a form of welfare improvement in a fair and equitable. This research has a purpose to know the leading economic sectors in South Tangerang City, Banten Province in order to increase economic growth of South Tangerang City.*

*The main objective of regional economic development is to increase the number and type of employment opportunities for local communities. In the effort to achieve the objective, local governments and the society must jointly take regional development initiatives. Therefore, local governments with the participation of their citizens, and by using the existing resources, should be able to assess the potential resources needed to design and build the regional economy (Arsyad, 1999:108).*

*Rapid changes in global economic structure call for economic development planning that is able to adapt to changes, which can be used as the basis for establishing policy strategies so that development goals can be achieved, since economic development planning aims to improve the standard of living, expand employment, increase earnings, improve regional economic relations, and overcome poverty. In addition, regional autonomy has provided the opportunities for local governments, both provincial and municipal, to develop their own potential areas. Local governments have the authority to manage their own financial matters and determine the direction of the development to achieve prosperity for the residents of the region. In other words, the direction of economic development is ensuring that the income of the people increases, that the income is distributed equitably, and that employments are expanded.*

*The structural transformation of the economy is a prerequisite of the improvement and sustainability of economic growth and employment. It also supports the sustainability of the development itself. With regards to changes in regional economic structure, provincial and municipal governments should be able to clearly identify the sectoral shifts. The emergence of new sectors in regional economy is a positive development for the regional economy. Developments of new sectors are ultimately capable of improving the welfare of local people since they increase income and job opportunities, not to mention the regional output.*

*The analysis is done by comparing GRDP on the basis of Constant Price of Malang City 2010 and GDRP series based on Constant Price of Banten Province 2010. The analysis model used is Location Quotient (LQ) analysis, Shift Share analysis, Growth Ratio Model (MRP) and Klassen Typology analysis.*

*Based on the results of research, tertiary needs become an important role in economic growth, but the development planning of South Tangerang City can be directed to the leading sectors can encourage the acceleration of regional development in accordance with the identification of potentials through analysis tools in this research so that the policy formulation of South Tangerang City able to accurately regarding resources and potential owned by South Tangerang City in order to increase economic growth.*

*According to the results of analysis tools typology klassen South Tangerang City has a superior economic sector and grow rapidly compared with the same sector in the province of Banten only (a) Large and Retail Trade: Car Repair and Motorcycles.*

**Keywords:** *economic development, economic sectors seed, location quotient, shift share, the ratio of growth model, typology klassen*

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## CHAPTER I

### INTRODUCTION

#### 1.1. Background of Study

In this globalization era, development is needed by all regions and countries. The era pushes all parties to urge changes and growth in sectors that influence the development. The ability of a country to develop depends on how the regions in the country process their resources. It means that there is a strong relationship between a country region and its regions in terms of development. Income from regions that are good in economy and in processing their resources is one of the key factors for the country's development.

The main objective of regional economic development is to increase the number and type of employment opportunities for local communities. In the effort to achieve the objective, local governments and the society must jointly take regional development initiatives. Therefore, local governments with the participation of their citizens, and by using the existing resources, should be able to assess the potential resources needed to design and build the regional economy (Arsyad, 1999:108).

Regarding economic development, many aspects have changed because of time and current conditions. For example, technology and information are now crucial in identifying the development of regions and countries. Economic development in its essence is the transformation of the changes in the economic structure of a developing society, including changes in the integrated global order through the advancement of information and technology that influences economic activity and the shape of the economy. The process of changing this economic structure involves all economic activities and support from the society in all sectors.

Rapid changes in global economic structure call for economic development planning that is able to adapt to changes, which can be used as the basis for establishing policy strategies so that development goals can be achieved, since economic development planning aims to improve the standard of living, expand employment, increase earnings, improve regional economic relations, and overcome poverty. In addition, regional autonomy has provided the

opportunities for local governments, both provincial and municipal, to develop their own potential areas. Local governments have the authority to manage their own financial matters and determine the direction of the development to achieve prosperity for the residents of the region. In other words, the direction of economic development is ensuring that the income of the people increases, that the income is distributed equitably, and that employments are expanded.

Regarding regional economic dimension, Arsyad (2004) stated that regional economic development is a process where local governments and the societies manage the existing resources and establish partnerships with private sector to create new jobs and stimulate development in regional economic activities. The central problem of regional development lies in emphasizing development policies based on the specificity of the endogenous area using local potential resources.

The structural transformation of the economy is a prerequisite of the improvement and sustainability of economic growth and employment. It also supports the sustainability of the development itself. With regards to changes in regional economic structure, provincial and municipal governments should be able to clearly identify the sectoral shifts. The emergence of new sectors in regional economy is a positive development for the regional economy. Developments of new sectors are ultimately capable of improving the welfare of local people since they increase income and job opportunities, not to mention the regional output.

In order to achieve the objectives of regional development, Sjafrizal (2008) said that the main policy that needs to be implemented is aligning the priority of regional development with the potential of each region. This needs to be done because the potential of each region varies greatly. Therefore, if the regional development priorities are not relevant to the potential of the region, the existing resources will not be used maximally, resulting in slower economic growth. This shows that economic development is characterized by economic growth.

Economic growth is a benchmark to identify any increase in the development of an area and various sectors of the economy that can indirectly describe the rate of economic changes. According to Sukirno (1994), economic growth is the development of activities in the economy

that causes increases in produced goods and services and in society's prosperity. Economic growth is defined as an increase in Gross Regional Domestic Product (GRDP) regardless of whether the increase is greater or lower than population growth and whether or not changes in the economic structure take place. The measurement on economic growth of a region uses GRDP (Gross Regional Domestic Product), so GRDP is frequently used to measure the success of a region in achieving the ideals to create economic development. By macro, increasing GRDP from year to year is an indicator of regional development's success. Higher contribution from all economic sectors to the GRDP of an area reflects the growth of regional economy.

Increased regional economic growth measured through Gross Regional Domestic Product (GRDP) means improvement on the prosperity of the people. To improve regional economic growth, local governments have to make strategy and plan by considering shifts of economic sectors from year to year. GRDP describes the ability of a region in managing natural resources and other production factors to create added value, so the productivity of a region in processing its resources compared to other regions can be measured.

Increasing competition in this globalization era requires local governments to prepare and protect the region in such a way so that the region is able to create output and income and able to compete in high levels. Regional competitiveness indicates the ability of an area to create added value to achieve high and sustainable prosperity yet remaining open to domestic and international competition (Abdullah, 2002). Regional economic potential is the driving force of the regional economy that must be developed optimally in a sustainable manner, so the existing economic potential can become a leading sector and is able to compete with other regions. Finally, the target of improving the competitiveness of the region can increase the welfare of the society.

Related to globalization process and changes in regional order where cities and regions are faced with increasing pressure and demand for competitiveness, policy makers at provincial and municipal level should think about how to respond and adapt to current situation in forms of making appropriate policies. Especially, over the last ten years, changes of global

and local order that are very influential on the national economy have occurred. The 2008 global financial crisis, the implementation of free trade between China and ASEAN (CAFTA), changes in international trade recording system, and the widespread of capital market services are examples of changes that need to be responded through national statistics recording mechanism.

The adaptation of national statistics recording is through changing the base year of Indonesian GDP from 2000 to 2010. The change is accompanied by the adoption of United Nations' recommendations contained in System of National Accounts (SNA 2008) through the preparation of Supply and Use Tables (SUT) framework. The change of GDP base year took place simultaneously with the calculation of provincial Gross Regional Domestic Product (GRDP) in the effort of maintaining calculation result consistency.

The changes of indicators are related to the ability of regions to use their natural and human resources and how to compete with the other regions; or even to go international for more profit that contributes to, particularly, their GRDP.

**Table 1.1:** Comparison in GRDP by Industrial Sector between the years of 2000 and of 2010

GRDP Year 2000	GRDP Year 2010
1. Agriculture, Livestock, Forestry, and Fisheries	A. Agriculture, Forestry, and Fisheries
2. Mining and quarrying	B. Mining and quarrying
3. Manufacturing	C. Manufacturing
4. Electricity, Gas, and Clean Water	D. Provision of Electricity and Gas
5. Construction	E. Procurement of Water
6. Trade, Hotel, and Restaurant	F. Construction
7. Transportation and Communication	G. Large and Retail Trade, Repair and Maintenance of Cars and Motorcycles
8. Finance, Real Estate, and Business activities	H. Transportation and Storage

9. Services	I. Accommodation and Food Service Activities J. Information and Communication K. Financial Services L. Real Estate M, N Business activities O. Public administration and defence, compulsory social security P. Education Services Q. Human health and social work activities R, S, T, U Other Services
-------------	---

Source: BPS of Banten, 2015

According to Sukirno (1981), the process of economic growth acceleration of a region is shown by using the rate of GRDP increase, so the level of per capita GRDP growth achieved by a society is frequently used to measure the success of a region in achieving the goal of creating economic development.

Regarding development, Banten is one of the provinces that have a big influence on national GDP thank to the ability of its regions. For example, South Tangerang City, which borders with South Jakarta City, has a great economic capability as well as extraordinary economic growth. The development in South Tangerang even raises public opinions that South Tangerang is part of Jakarta. The crowd and the urban atmosphere of this region is similar to those in Jakarta. The independency of South Tangerang as a city of trade and service is also seen from its local revenue (PAD), which has increased significantly. The increase is from local revenue; 72 percent of which comes from private investment in tertiary sector such as hotels, restaurants, and others.



This city has complete public facilities such as schools, universities, shopping centers (malls etc.), housing, and many others. Among the districts in South Tangerang, Serpong is the most preferred districts by developers because it is one of the fastest growing districts in trade sector and has the most housings.

Foreign and local investments are sources for regional income, which are also bypasses for regional financial improvements that balance the finance of the city government in the regional budget. Therefore, the absorption of regional revenues must be regulated locally based on fundamental studies in economic sector policies. The executive is the city government, which run based on regional regulations set by the local parliament of Tangerang Selatan aimed at developing the city. Both institutions jointly create policies for the financial balance of the city. The policies, namely local regulations (Perda), bridge the flow of investors to this city, so it can be used as the business center in Banten and as the location for head offices from companies engaged in industry, tourism, culinary, and others. The geographical location of South Tangerang city is very supportive for those purposes because it is adjacent to DKI Jakarta, providing easy access to Indonesian central government.

There are even important buildings in BSD city; one of which is Indonesia Convention Exhibition, or the ICE, the biggest convention and exhibition center in Indonesia. Many national and international events were held in ICE. The construction for Smart Digital City is still going, the first phase of which is expected to complete by 2019. This means that much income will come the city will be able to develop rapidly.

Almost all aspects in South Tangerang are covered well. For example, in education, Prasetiya Mulya and Multimedia Nusantara University, which are good places for study, are in this region. In health and service, this city has Eka Hospital in the middle of the city. In addition, in shopping and dining, The Breeze and Aeon Mall are present. These are the evidences that this city is developing and also has a good long-term plan for the development.

Banten is one of the provinces with big influence on national income, especially for its GRDP. According to the data from Indonesia Statistics Agency (BPS), Banten is in number 7, from 34 provinces, in terms of influence toward GRDP and national income. It means that

Banten is one of the provinces that should be considered by Indonesian government. They should think ways to develop region or techniques to increase the GRDP of this region.

**Table 1.2: Gross Regional Domestic Product (GRDP) of Banten at the National Level, 2016**

Rank	Province	Current Price (IDR Trillion)	Constant Price in 2010 (IDR Trillion)	Constant Price GRDP Growth Rate in 2010 (%)
1	DKI Jakarta	2 177,12	1 539,38	5,85
2	East Java	1 855,04	1 405,24	5,55
3	West Java	1 652,59	1 275,55	5,67
4	Central Java	1 092, 03	849,38	5,28
5	Riau	682,35	459,00	2,23
6	North Sumatera	628,39	463,78	5,18
7	Banten	516,33	387,60	5,26
	INDONESIA	12 406,81	9 433,03	5,02

Source: BPS of Banten, 2016

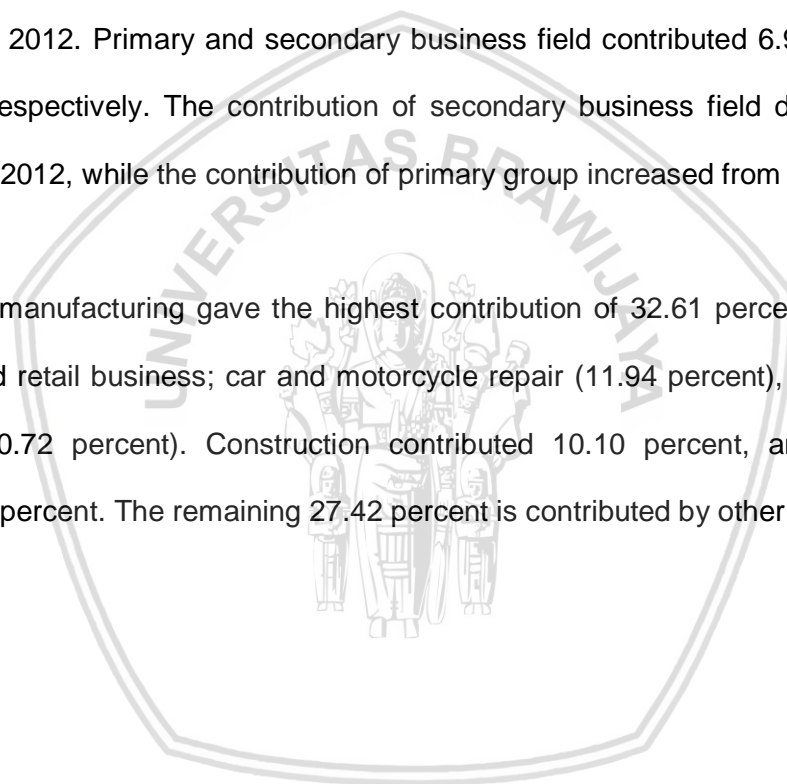
Economic structure basically shows the contribution of each business field to the economy of a region, so we can identify the contribution of a business field to the economy of a region. The contribution determines the direction of the developmental policies.

Based on the priority of economic development, the economy of a region can be grouped into three business field groups: primary, secondary, and tertiary. Primary business consists of agricultural, forestry and fishery, and Mining and quarrying. Secondary business consists of manufacturing; electricity, gas, and water supply service, and construction. Tertiary business consists of big-scale trading, and car and motorcycle repair; Transportation and

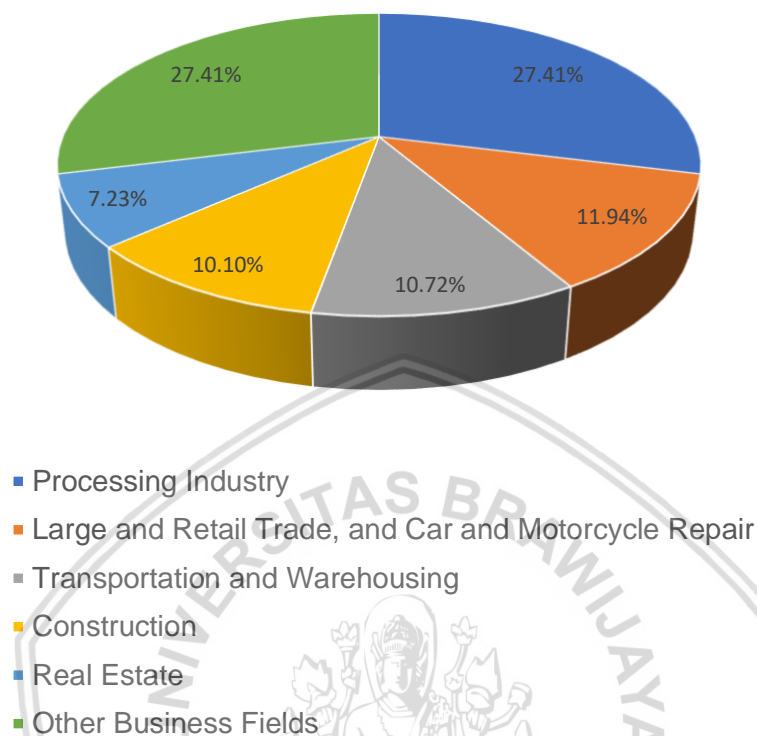
Storage, Provision of Accommodation and food and beverage, information and communication, financial services, real estate, business activities, Mandatory Administration of government, defense and social security, educational services, health services, and other social activities and services.

Every region has its own ways to increase their GRDP. During the period of 2012-2016, the business structure in Banten has shifted, from secondary to the tertiary business, field as evidenced by the increased contribution of each business field to the GRDP of Banten. In 2016, tertiary business field contributed 47.90 percent to the GRDP, increased from the 45.18 percent in 2012. Primary and secondary business field contributed 6.91 percent and 45.19 percent, respectively. The contribution of secondary business field decreased from 47.94 percent in 2012, while the contribution of primary group increased from 6.88 percent in 2012.

In 2016, manufacturing gave the highest contribution of 32.61 percent, followed by large trading and retail business; car and motorcycle repair (11.94 percent), Transportation and Storage (10.72 percent). Construction contributed 10.10 percent, and real estate contributed 7.23 percent. The remaining 27.42 percent is contributed by other businesses.



**Figure 1.1.**  
**Contribution of Business Groups to GDP in Banten Province**  
**(percent), 2016**



Source: BPS of Banten, 2016

The economy of Banten slowed down in 2016 compared to the growth in the previous years. The GRDP growth of Banten in 2016 reached 5.26 percent, while, in 2014 and 2015, the growth was 5.51 percent and 5.40 percent. The highest economic growth was achieved by the Financial and Insurance Activities (14.16 percent). The growth of other business groups in 2016 was positive, except Electricity and Gas provision.

Other business fields that recorded positive growth were Information and Communications (8.52 percent), Transportation and Storage (7.60 percent), Provision of Accommodation and Food and Beverages (7.55 percent), Business activities (7.49 percent), Real Estate (7.48 percent), Other Services (7.39 percent), Human health and social work activities (7.14 percent), Compulsory Governmental Administration, Defense and Social Security (7.11 percent), Agriculture, Forestry and Fishery (7.05 percent), Water Supply, Waste

Management, and Recycling (6.83 percent), Education Services (6.80 percent), Construction (6.09 percent), Large trading and Retail and Car and Motorcycle Repair (3.82 percent), Mining and Excavation (3.43 percent), and Manufacturing Industry (3.05 percent). However, Electricity and Gas Provision depreciated to 4.14 percent.

**Table 1.3:** Real Growth Rate of GDP of Banten Province Based on Category of Business Field (percent), 2012-2016

No	Sectors	2012	2013	2014	2015	2016
1	Agriculture, Forestry, and Fishery	3,20	6,73	2,45	6,53	7,05
2	Mining and quarrying	-0,04	-6,21	3,96	3,66	3,43
3	Manufacturing	4,75	7,81	1,70	3,44	3,05
4	Electricity and Gas Provision	3,46	-3,43	8,26	-1,39	-4,14
5	Water Supply, Waste Management, and Recycling	0,53	3,44	7,15	5,16	6,83
6	Construction	10,81	9,99	11,46	8,47	6,09
7	Large Trading and Retail, and Car and Motorcycle Repair	9,33	5,40	6,04	4,75	3,82
8	Transportation and Storage	9,49	4,15	5,42	6,32	7,60
9	Accommodation and Food and Beverages	5,54	3,89	8,83	6,41	7,55

10	Information and Communication	14,47	8,03	18,71	9,81	8,52
11	Financial and Insurance Activities	10,82	8,65	4,75	8,40	14,16
12	Real Estate	8,11	7,32	8,42	6,68	7,48
13	Business activities	7,21	7,64	8,78	7,97	7,49
14	Compulsory Government, Defense, and Social Security Administration	6,20	1,03	8,18	6,55	7,11
15	Education Services	4,17	3,94	7,57	6,35	6,80
16	Human health and social work activities	5,30	1,65	6,34	5,24	7,14
17	Other Services	2,55	6,88	7,49	6,54	7,39
	<b>Gross Regional Domestic Product</b>	<b>6,83</b>	<b>6,67</b>	<b>5,51</b>	<b>5,40</b>	<b>5,26</b>

Source: BPS of Banten, 2016

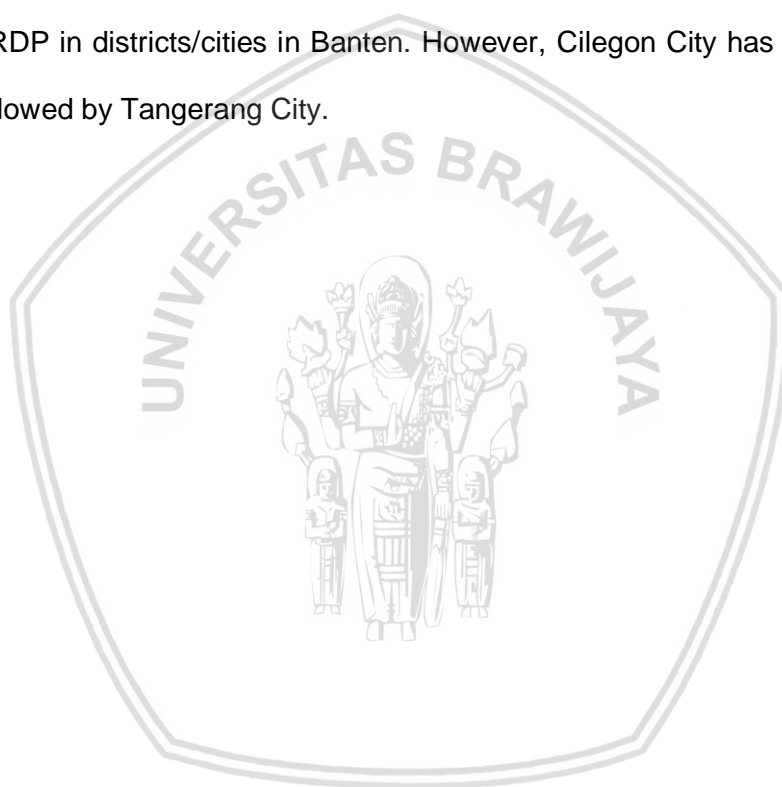
The high growth of Gross Regional Domestic Product is certainly supported by regional potentials that contribute to the regional economic development and the development process. If the implementation of regional development priorities is irrelevant with the resources and potentials of the region, the utilization of the existing resources will not be optimal. This can lead to low economic growth in the region.

The successful implementation of regional development is closely related to the quality of regional planning, which is implemented based on the identification of the characteristics of a region. The area of the planning includes problems and potentials of the region. Regional development planning is directed to a good management of the resources that creates

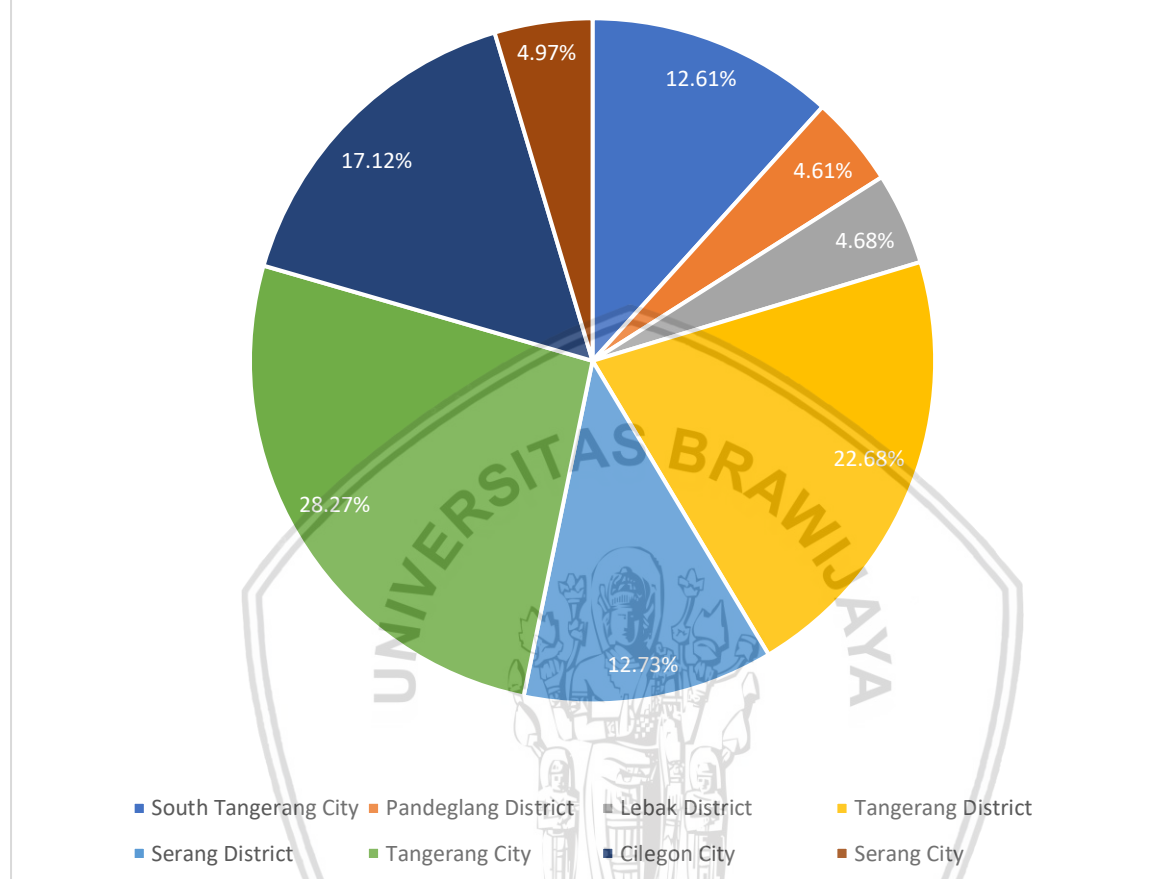


characteristics uniqueness distinct from other regions, so regional development can run faster. The development of an area will improve regional economy if it is supported by a good growth rate.

Based on data, South Tangerang City is actually not influential on the GRDP growth of Banten. The province's per capita current-price-based GRDP in 2016 reached IDR 42.31 million, 5.70 percent higher than IDR 40.03 million in 2015. At district/municipal level, Tangerang City has the highest current-price-based GRDP in Banten Province, followed by Tangerang and Cilegon City districts. Figure 1.2. provide an overview on the magnitude and distribution of GRDP in districts/cities in Banten. However, Cilegon City has the highest per capita GRDP, followed by Tangerang City.



**Figure 1.2.**  
**Distribution of Current-Price-Based GRDP of Banten**  
**Province by Regency / City (percent), 2016**



Source: BPS of Banten, 2016

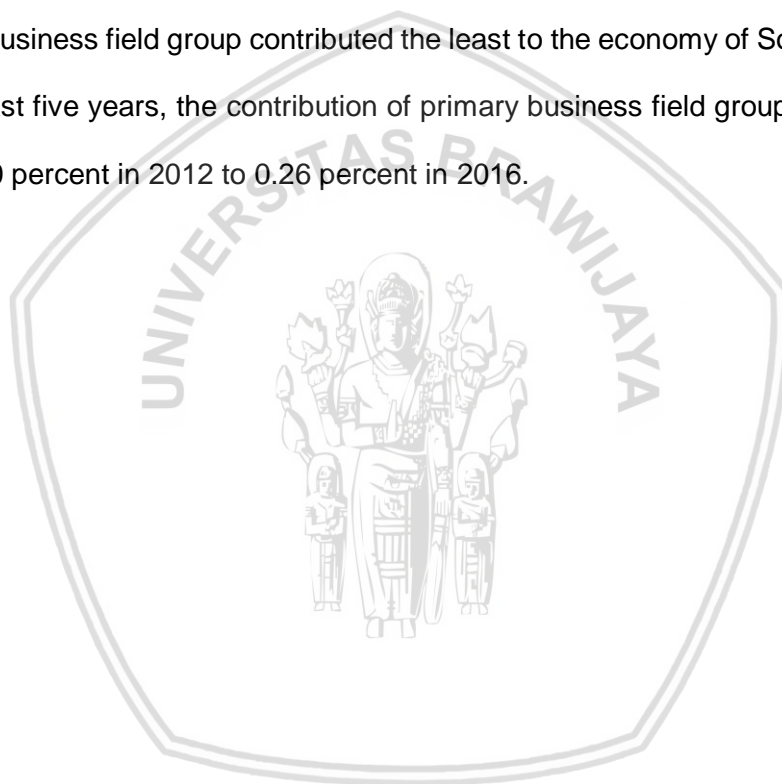
**Figure 1.2.** describes that South Tangerang city is number 5 in influencing the GRDP of Banten Province, different from Tangerang City with 28.27 percent. Even though South Tangerang City did not give big influence to Banten Province, the unique fact is that most GRDP of South Tangerang City is from tertiary sectors, not from primary or secondary sectors, which means that business fields such as Information, technology, and construction are influential for South Tangerang City in increasing its GRDP and that of Banten province.

During the period 2012-2016, the economy of South Tangerang City is still dominated by tertiary business field. Figure 1.3. shows the structure of the economy of South Tangerang City by group of business field. Tertiary business field group dominates the economy of South

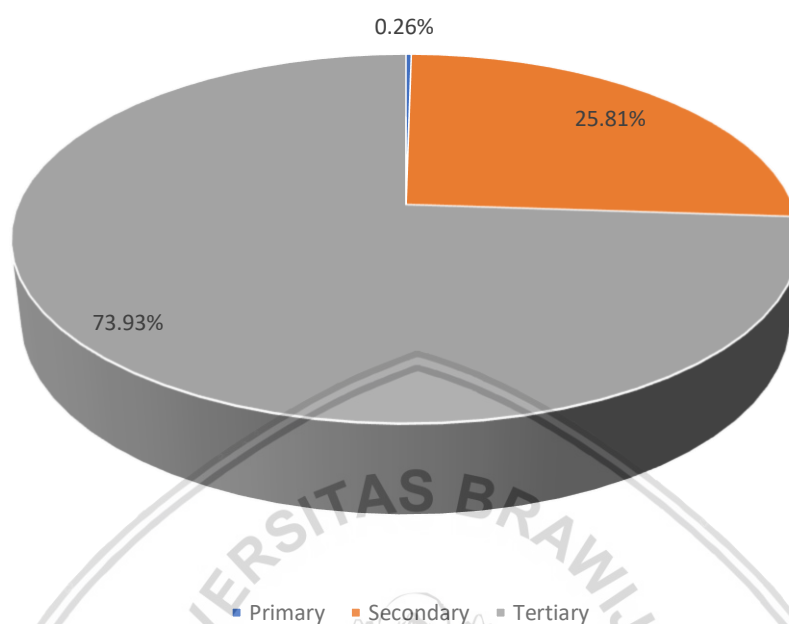
Tangerang City by 73.93 percent. The contribution of tertiary business field groups tends to fluctuate every year, but it shows an increasing trend over the past five years. The business field group is dominated by Real Estate business, which contributed 16.46 percent in 2012, increasing to 17.81 percent in 2016.

During the last five years, there has been a shift in the structure of business fields in secondary group. Since 2013, its contribution has declined from 26.32 percent in 2013 to 25.81 percent in 2016. This group is dominated by Manufacturing business, which contributed 10.19 percent to the economy of Tangerang Selatan City in 2016.

Primary business field group contributed the least to the economy of South Tangerang City. Over the past five years, the contribution of primary business field groups has shown a decline from 0.30 percent in 2012 to 0.26 percent in 2016.



**Figure 1.3.**  
**Economic Structure of Tangerang Selatan City by Group of Business in 2016 (Percent)**



Source: BPS of South Tangerang City, 2016

The economy of South Tangerang City, actually, has decelerated in 2016 compared to the previous year's growth. The growth rate of GDP of South Tangerang City in 2016 was 6.98 percent, while, in 2015, it reached 7.20 percent. The highest economic growth was achieved by the Electricity and Gas Provision business of 13.21 percent. Almost all other business fields recorded positive growth in 2016; only Industrial business field contracted negatively by 3.06 percent.

Other business fields recorded a positive growth, among others are Company Services (9.57 percent), Construction (9.20 percent), Information and Communication (9.12 percent), Real Estate (8.71 percent), Compulsory Government, Defense, and Social Security Administration (8.41 percent), Transportation and Storage (8.13 percent), Education Services (7.90 percent), Other Services (7.84 percent), Financial and Insurance Activities (7.77 percent), Accommodation and food and Beverage (7.61 percent), Health Service and Social Activity (7.47 percent), Water Supply, Waste Management, and Recycling (6.21 percent),

Large Trading and Retail and Car and Bicycle Repair (4.75 percent) and Agriculture, Forestry, and Fishery (0.10 percent).

**Table 1.4. Real Growth Rate of GDP of South Tangerang City by Business Field (percent), 2012-2016**

No	Sectors	2012	2013	2014	2015	2016
1	Agriculture. Forestry, and Fishery	(2,59)	(1,65)	3,04	2,10	0,10
2	Mining and quarrying	-	-	-	-	-
3	Manufacturing	0,72	8,34	6,95	3,82	(0,33)
4	Electricity and Gas Provision	12,00	10,37	5,63	1,29	13,21
5	Water Supply, Waste Management, and Recycling	0,85	5,59	6,35	5,03	6,21
6	Construction	12,66	12,52	7,14	6,63	9,20
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	9,50	6,35	4,42	5,76	4,75
8	Transportation and Storage	9,42	10,93	12,44	8,36	8,13
9	Accommodation and Food and Beverages	5,10	6,13	7,75	6,47	7,61
10	Information and Communication	18,26	10,98	16,32	10,15	9,12

11	Financial and Insurance Activities	6,74	7,81	8,43	8,58	7,77
12	Real Estate	9,41	11,62	8,19	8,54	8,71
13	Business activities	9,03	9,83	11,20	10,36	9,57
14	Compulsory Government, Defense, and Social Security Administration	4,57	2,22	10,09	8,72	8,41
15	Education Services	3,54	4,69	5,71	8,18	7,90
16	Human health and social work activities	4,18	1,51	2,72	4,12	7,47
17	Other Services	1,75	6,61	4,16	5,78	7,84
	<b>Gross Regional Domestic Product</b>	<b>8,66</b>	<b>8,75</b>	<b>8,05</b>	<b>7,20</b>	<b>6,98</b>

Source: BPS of South Tangerang City, 2016

Based on the data, South Tangerang City influences GRDP in tertiary sector. It means that, South Tangerang City develops from Large Trade and Cars and Motorcycles Repair; Transportation and Storage, Accommodation and Food and beverages, Information and Communication, Financial Services, Real Estate, Business activities, Compulsory Government, Defense, and Social Security Administration, Education Services, Health Services and Social Activities, and Other Services. Furthermore, the GRDP growth rate shows South Tangerang contributes much to GRDP, especially from information and communication and from construction.

That is why South Tangerang City has a lot of new infrastructures from government, even from private sectors. The facilities in the city use modern technology. Investments from foreign country and those made by its citizens make South Tangerang City is more developed



in technology and Information. Strategies and uniqueness of South Tangerang City will be discussed further, especially regarding the city's ability to give significant influence on the GRDP through tertiary sectors. Moreover, South Tangerang City has the potential for growing the GRDP of Banten Province, developing its region, and even contributing to the national income.

Referring to the conditions above, at least, the basis for conducting a study to explore the potential and competitiveness of South Tangerang City in assessing economic growth would be a very important theme. In addition, sector renewal in gross regional domestic product from 9 to 17 sectors will make the identification of the economic sector of the region more detailed and sharp. Thus, it is expected that this study can identify excellent sectors of South Tangerang City that are able to be the motor of its economic growth. Therefore, the author wrote this thesis with the title of **"Analysis on the Economic Potential and Competitive Advantage of South Tangerang City in Banten Province in the Period of 2012-2016"**.

## 1.2. Research Question

Based on the background, it can be seen that economic potential is important for economic growth in South Tangerang. Therefore, the issues discussed in this research are:

1. What economic sectors that are included in base and non-base sectors in South Tangerang?
2. Which economic sector that has potential economic growth and competitive advantage in South Tangerang city?
3. What are the most strategic and potential economic sectors that should be developed to support the economic growth in South Tangerang City?

### 1.3. Objectives of Study

Referring to the research question, the objectives of this study are as follows.

1. To describe economic sectors that become base and non-base sector in South Tangerang.
2. To identify economic sector of South Tangerang City that has the ability to compete in wider region and to identify sector that has the competitive advantage.
3. To determine the most strategic and potential economic sectors that should be developed to support the economic growth in South Tangerang City.

### 1.4. Significance of Study

The benefits that can be given by this study are as follows.

1. For the Researcher

This study provides benefits in forms of direct experience, findings, and data processing. Those are useful for the researcher so that he can make decisions related to his steps forward.

2. For the Local Government of South Tangerang City

The government of South Tangerang City can use the results of this study to refine their policies and programs related to the improvement of economic growth and development in the city.

3. For Brawijaya University

This study can be used as a reference for further researches and a new collection in the university's library as well as a supporting material for students especially of Economics Department.



## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Concept of Economic Development

##### 2.1.1 Definition of Economic Development

According to Arsyad (2004), economic development is a process that causes an increase in real per capita income of a population in a country in the long term accompanied by improvements in institutional system. Thus, economic development should be viewed as a multidimensional process, while still pursuing economic growth, increasing per capita public opinion, handling income inequality and poverty eradication. Economic development must also cover fundamental changes to social structure, community behavior, institutional system, and reform and modernization of its economic structure.

Economic development has a broader meaning and can include changes to the overall economic structure of society. Development is a process of transformation that in the course of time is characterized by structural changes, namely changes in the basis of economic activity as well as on the framework of the economic structure of the community concerned.

According to Sukirno (1985:13), Economic development is a process that causes the income per capita of a population in a society increase in the long run. The definition implies that economic development is a continuous shift through a combination of processes to achieve something better that there is an ongoing increase in per capita income over the long term.

##### 2.1.2 Regional Economic Development

According to Arsyad (2010), regional economic development is a process that includes the creation of new institutions, the development of alternative

industries, where local governments and communities manage existing resources and form a partnership pattern between regions and private sector. The main problem in regional development lies in its emphasis on development policies based on the unique value of the region concerned using local people and regional (local) institutions, and physical resource potentials. There are several theories that can partially help to understand the importance of regional economic development, namely base economic theory, neo classical economic theory, location theory, central place theory and attraction theory.

## **2.2 Economic Growth**

### **2.2.1 Economic Growth Definition**

Economic growth can be interpreted as a process of increasing the production of goods and services in the economic activities of a society. It can be said that growth involves the development of a single dimension and is measured by production and income increase. In economic growth, a production process typically involves a number of product types using a certain number of production means (Djojhadikusumo: 1994).

Economic growth can also be interpreted as a process of changing regional economic conditions in a sustainable way for a better period. To know the level of economic growth better, national and regional income from year to year have to be compared. In comparing them, it is necessary to realize that changes in the value of national income occurs from year to year because of two factors; they are changes in the level of economic activity and changes in production prices.

The effect of the first factor is caused by a change in the structure of the economy, and the second is caused by the assessment of national income at the

prevailing prices during the year. An economy is said to experience growth or development if the activity level is higher than the previous time.

### 2.2.2 Factors that Affect Economic Growth

Factors affecting economic growth according to Sukirno (1994) are:

1. Land and Other Natural Wealth

Natural wealth facilitates the efforts of building a country's economy especially in the early days of economic growth process.

2. Quantity and Quality of Population and Labor

Increasing population will encourage or hamper economic growth. The adverse effect of population growth on economic growth can occur when the population is not proportional to the available production factors.

3. Capital Goods and Technology Level

Capital goods are important in enhancing the efficiency of economic growth. Capital goods are increasing in number, and technology that has become increasingly modern plays an important role in realizing high economic progress.

4. Social System and Community Attitude

The attitude of the society determines the extent of economic growth that can be achieved.

5. Market Area as a Source of Growth

Adam Smith has shown that specialization is limited by the breadth of the market and the limited specialization of economic growth.

Meanwhile, according to Jhingan (2000), the process of economic growth is influenced by two kinds of factors, namely economic and noneconomic factors. The economic growth of a country depends on its natural resources, human resources, business capital, technology and so on. They are all economic factors.



But economic growth is unlikely to occur as long as social institutions, political conditions, and moral values in a country are not supportive. In economic growth, social institutions, cultural attitudes, moral values, political and institutional conditions are non-economic factors. In one of his studies, Professor Bauer pointed out that the main determinants of economic growth are talents, abilities, qualities, capacities and capabilities, attitudes, customs, values, goals and motivations as well as political and institutional structures. Here are the economic and noneconomic factors that promote economic growth.

### **1. Economic Factors**

Experts consider production factor as the main force affecting growth. The falling or rising of economic growth rate is a consequence of the changes occurring within the production factor. Some of them are as follows:

#### **a. Natural resource**

The main factors affecting the development of an economy is natural or land resources. "Land", as used in economics, includes natural resources such as soil fertility, location and composition, forest wealth, minerals, climate, water resources, marine resources, and so on. In economic growth, the abundant availability of natural resources is important, and the most important is the proper utilization with good technology so that efficiency is enhanced and the source can be used in a long term.

#### **b. Capital accumulation**

The second important economic factor in economic growth is the accumulation of capital. Capital means inventory of production factors that can be physically produced. If capital stocks rise within a certain time limit, this is called capital accumulation and capital formation.

The process of capital formation is cumulative and self-financing, and it includes three interrelated stages: (1) the existence and the rise of real savings;

(2) the existence of financial institutions and loans to promote savings and channel them to the desired path; (3) the use savings to be invested in capital goods.

c. Organization

Organization is an important part of economic growth process. It deals with the use of production factors in an economic activity. Organizations are complementary capital and labor, and they help increase productivity.

d. Technology advancement

Technological change is considered as the most important factor in economic growth process. The change is related to production method, which is the result of a renewal or the result of a new research technique. Changes in technology increase the productivity of labor, capital, and other production factors.

## 2. Non-economic Factors

Economic factors together with non-economic factors affect economic growth. In reality, non-economic factors such as social, cultural and political organizations affect economic growth. Therefore, non-economic factors also have an important meaning in economic growth process. According to Nurkse, economic development is related to human's role, society's view, political condition, and historical background. Here are the non-economic factors in economic growth (Jhingan, 2000).

a. Social factor

Social and cultural factors also affect economic growth. The power of this factor produces changes in views, expectations, structure, and social values. If economic development is expected to run smoothly, the views, values, and social institutions should be changed. This change is only possible through the dissemination of education and science where people must realize their goals and targets in front of them, and they must have the ability to achieve them.

b. Human factor

Human resource is the most important factor in economic growth. Economic growth does not depend solely on the number of human resources alone, but it rather emphasizes on their efficiency. Such an enormous increase in per capita GNP is closely linked to the development of human factors, as seen in the increasing efficiency or productivity among labor force.

c. Political and Administrative Factors

Weak political and administrative structure is a major obstacle for the economic development of underdeveloped countries. Strong, efficient, and non-corrupt administration is essential for economic development. Professor Lewis rightly sees, "Government action plays an important role in stimulating economic activity." In a clean and strong administration then justice can fully stimulate economic growth. As stated precisely by Lewis, "No country can progress without positive encouragement from a competent government."

## **2.3 Economic Growth Theory**

### **2.3.1 Classical Growth Theory**

Classical economic theory was brought by Adam Smith. The core of this theory is to create a free market economy system that will create efficiencies which bring the economy to full employment conditions and ensure economic growth to achieve a stationary position. This stationary position occurs when the natural resources have been fully utilized. The government does not need to interfere in economic affairs; the things that need to be done by the local government are giving freedom to every person to try, not making regulations that impede the movement of people and goods, maintaining security and order so that the condition is relatively safe for people to try, providing various facilities and

infrastructure so that entrepreneurs can operate efficiently and, thereby, regional economic growth can be achieved.

### 2.3.2 Modern Growth Theory

Rostow stated that economic growth is a process of various changes, namely:

1. Changes in the orientation of economic organizations,
2. Changes in the views of the society,
3. Changes from unproductive capital to a productive one.
4. Changes in viewing natural factors. Human must change the belief that nature does not determine human life, but human life must be able to control natural wealth so that what is available can be used as a source of life in achieving prosperity.

Furthermore, Rostow also put forward the stages in economic growth. The five stages of economic growth according to Rostow are as follows.

1. The traditional society. This means a society's economic life that develops traditionally and is not based on the development of technology and science. Sometimes, the way of thinking of this society is primitive and irrational.
2. The precondition for take-off. This is a transitional stage where society prepare itself to accept new techniques and new thoughts from the outside.
3. The take-off. This means that, at this stage, there are very drastic changes in creation and rapid progress of innovation (new inventions) in production and so forth.

4. The drive to maturity. This means that, at this stage, the society has effectively used modern technology in most of production factors and natural wealth.
5. The age of high mass consumption. This means that, at this last stage, people emphasize more on welfare issues, and the efforts of the public is to create a welfare state, which is more equitable prosperity to the population by seeking income distribution through a progressive taxation system. The society does not question the base needs anymore, but it seeks for higher consumption of durable goods and luxury goods.

## **2.4 Regional Growth**

According to Tarigan (2005), the theory of regional growth is the increase in overall community income that occurs in the region, namely the increase of all added value. The calculation of regional income is initially made in current price. However, in order to see the increase from one period to the next, it must be stated in the real value, which means that it is expressed in constant price. In issuing regional income statements, usually BPS provides numbers in current prices and in constant prices. Regional revenue reflects the remuneration of production factors that operate in relevant region (land, capital, labor, and technology), which means that it can roughly illustrate the prosperity of the region. The prosperity of an area, other than determined by the amount of added value created in the region, is determined by how much transfer payments occur, namely the income that flows out of the region or funds that flow into the region.

### **2.4.1 Fast-Track Sync Growth Theory**

The theory of fast-track growth was introduced by Samuelson. Each country or region needs to see which sectors or commodities that have great potentials and can be developed quickly, either because the natural potential is available or because the sector has a competitive advantage to develop. This means that, at the same capital needs, people must focus on sectors that can provide greater added value, can produce quickly, and contribute much to the economy. For market warranty, the product of the sectors must be able to penetrate into and compete in overseas markets. The development of the sector will encourage other sectors to grow so that the overall economy can grow. Synergizing the sectors makes the sectors interrelated and mutually supportive. Thus, the growth of one sector encourages the growth of other sectors, and vice versa, so the economy will grow fast.

According to Tarigan (2005), every country or region needs to see what sectors or commodities have a great potential and can be developed quickly, either because the natural potential is available or because the sector has a competitive advantage to develop. That is, at the same capital needs, people must determine the sector that can provide greater added value, produce relatively quickly, and contribute much to the economy. For market warrantee, the product must be able to penetrate into and compete in overseas markets. The development of the sector will encourage other sectors to grow so that the overall economy will grow. Synergizing the sectors makes the sectors interrelated and mutually supportive. The example is transportation business and the overall business in Bengkulu. Thus, growth in one sector encourages the growth of other sectors, and vice versa. Combining turnpike policies and synergizing with other related sectors will enable the economy to grow rapidly.



## 2.5 Economic Base Theory

Base sector is a sector capable of meeting the needs of the region and other regions, while non-base sector is a sector that is only able to meet the needs of local consumption. Due to its local needs, the demand for this sector is strongly influenced by the income level of the local community. Therefore, the only sector that can increase regional economy exceeding the natural growth of the region is the base sector (Tarigan, 2007).

This theory can also be used as a basis for economic growth for the economic potential of a region. Economic base model is a tool to detect the potential of regional economic base. In general, this economic base model:

1. Recognizes regional export activities (base activities that drive regional economic growth),
2. Predicts the possibility of growth in these activities in various ways,
3. Evaluates the subsequent effects of additional export activity on non-base activities.

The main idea of this theory is the existence of differences in geographic and inter-regional resources among regions, which causes an area to have a location advantage and some types of economic production activities. The advantage can be converted by a region into export base activities. If the activities of this region are supported by good and fast growth, the sector can be used as a key sector for its economic growth.

Because each region has different geographic location and resource, it is possible for each region to have different key sectors. Based on the possibility of such differences then to improve its growth, the strategy is thirsty to be done by each region for its development in accordance with the potential possessed by the area.

According to Glasson (1990), the base concept of economic base is divided into two sectors, namely:

### **1. Base Economic Sector**

Base economic sectors are sectors that export goods and services to places outside the economic boundaries of people being concerned for the input of their goods and services to the community outside their economic boundaries.

### **2. Non-Base Economic Sector**

Non-base economic sectors are sectors that produce goods needed by the people who reside within the economic boundaries of the people being concerned. These sectors do not export goods to other areas. Their scope is only on local market.

Increased base activity in a region increases income stream into the area being concerned so that it can increase the demand for produced goods and services. The result will increase the volume of base activity. Conversely, the decrease in base activities will decrease the demand for products from non-base activities, which means less income coming into the area. Thus, base activity has a role as the prime mover.

The activity of base sector is a sector growth that determines the overall development of a region, while the activity of the non-base sector is secondary sector (city following), which means that it depends on the overall development. Economic base theory seeks to discover and recognize the base activity of a region, forecast the activity, and analyze the additional impact of export activity. The growth or the absence of an area is determined by the performance of the region in demanding for goods and services from the outside.

The main difference between national economic growth analysis and regional growth analysis is the analytical emphasis, which is factor shifting (factor moments). It is assumed that a state is a closed economy. This assumption cannot

be applied to regions. The possibility of labor and capital flow greatly increases the chances for differentiated regional growth rates, even if national stocks are already available. Because it is analyzed in actual dynamics, this stock will grow larger, and the growth rate of an area is much higher than the normal level that can be achieved by the national economy, or, in the extreme, the growth becomes negative. Negative output growth rate is very rare to happen in an already developed national economy. However, since the flow of resources can be balanced, it does not mean that growth differences between regions must be greater than between countries or nationalities.

The essence of economic base theory is attempting to explain changes in the structure of the regional economy by emphasizing on the inter-sectoral relationships that exist in regional economies and propagation of auxiliary power coming from one sector to another, either directly or indirectly. In this case, economic base theory can be used to determine which sectors that should be developed based on the specialization and potential sector in particular areas.

#### 2.5.1 Identification of Base and Non-Base Sectors

One way in determining whether a sector belongs to base or non-base sector is by using Location Quotient (LQ) analysis tool. Arsyad (1999) explained that Location Quotient techniques can divide the economic activities of a region into two groups; they are:

1. Economic activities that serve markets in both inside and outside the location of the activities are called a potential economic (base) sector.
2. Economic activities that serve market where the activities are located are called non-potential sector or local industry.

This theory states that the main determinant of regional economic growth is directly related to the demand for goods and services from the outside of the

region. The growth of industries that use local resources, including labor and raw materials, for export will generate local wealth and job creation (Arsyad, 1999).

## 2.6 Gross Regional Domestic Product (GRDP)

According to the Central Bureau of Statistics (BPS), Gross Regional Domestic Product is the total value of goods and services produced in certain areas within a certain time (one year). GRDP is a form of data presentation that can describe the structure of the regional economy in the year concerned. GRDP consists of nine sectors; they are agriculture, mining and excavation, processing industries, electricity, gas and drinking water, buildings, transportation and communications, trade, hotels and restaurants, finance, company services and services as well as services sector.

The magnitude of GDP can be calculated through the measurement of *circular flow*, and the measurement is divided into three ways namely *total output method* and *the method of income production*. The explanations for each of these approaches are as follows:

1. According to production approach, GRDP is the sum of final value of goods and services produced by various production units in an area within a certain time period (one year). The units of production in the presentation are grouped into nine sectors.
2. According to expenditure approach, GRDP is the sum of all components of final demand, namely:
  - a. Household consumption expenditures and private institutions that are not profitable,
  - b. Government consumption,
  - c. Gross domestic fixed capital formation,

- d. Stock changes, and
  - e. Net exports within a specified period (usually one year). Net exports are exports minus imports.
3. According to income approach, GRDP is the amount of remuneration received by production factors in a region within a certain period (one year). The repayment of production factors is in forms of wages and salaries, land rent, interest, capital gain and profits. All of them are calculated before deducted with income tax and other direct taxes. In terms of GRDP, in addition to income factors, components of depreciation and indirect taxes are included. The sum of all components of this income by sector is referred to as sectoral gross value added. GRDP is the sum of the gross value added of all sectors (business fields).

Of the three calculation approaches, the concept of total expenditure should be equal to the amount of final goods and services produced and must be equal to the amount of income of production factors.

## 2.7 Regional Competitiveness

According to Porter (1990), in Daryanto and Hafizrianda (2010), the concept of competitiveness that can be applied at the national level is none other than the productivity defined as the output value generated by a workforce. Then, according to World Economic Forum (WEF), national competitiveness is the ability of the national economy to achieve high and sustainable economic growth.

Competitiveness can be interpreted as a single potential, so there is no attempt to understand the complexity of factors that make up competitiveness (Abdullah et al, 2002). Regional competitiveness, according to the definition made by the UK Department of Trade and Industry (UK-DTI), is the ability of a region to

generate high income and employment opportunities while remaining open to domestic and international competition. In addition, the Center for Urban and Regional Studies (CURDS) in the UK defines the competitiveness of regions as a business or enterprise sector in a region in generating high income and more equitable wealth for its residents. Based on the concept of the definition of competitiveness, the key word of the concept of competitiveness is competition. This is where the role of openness to competition with competitors becomes relevant (Abdullah et al, 2002). Both national and regional competitiveness, in its principle, have the same meaning; they only differ on the territorial scope.

The purpose of the end result of the increasing competitiveness of an economy is none other than the increasing level of welfare of the population in the economy. Welfare is a broad concept that certainly is not only depicted in a variable magnitude like economic growth. Economic growth is only one aspect of economic development in order to improve people's living standards.

According to Daryanto and Hafizrianda (2010), the competitiveness of a region is created if the region has a core competence that can be distinguished from its territory. The core competence can be achieved through the creation of factor, which is the effort of creating various production factors that are much better than those of competitors. Core competence in the context of regional development is an effort to coordinate and integrate the growing sectors of the region. Better coordination and integration among sectors will enhance the creation of core competencies, making it difficult for other areas to compete with the region.

## 2.8 Previous Research

Researches that analyze the potential of a region using sectoral approach have been conducted. In general, these studies use Location Quotient, Shift-



Share, and Growth Ratio Model (MRP) analysis. In addition, there are also studies that combine other analytical methods such as Klassen Typology and scalogram analysis.

Various previous researches that are used as the sources of this study are as follows.

**Table 2.1:** Previous Researches

No	Name of Researcher	Title	Analysis Methods	Research Results
1	Khusnaini, Mohammad	A Shift Share analysis on regional competitiveness – a case of Banyuwangi District, East Java, Indonesia	a) LQ b) Shift Share c) Klassen Typology	Trade, hotels and restaurants, construction services, and the financial sector are the most powerful sectors contributing to a net shift of over 25 percent. The identification of investment priorities in potential sectors and the implementation of broad regional development policy plans will undoubtedly accelerate the economic growth of Banyuwangi.

2	Morrissey, Karyn	Producing regional production multipliers for iris marine sector policy: A location quotient apprao	a) Input-Output Model b) LQ= SLQ, CILQ, FLQ	The sectors in the South East (SE) marine economy had high (greater than one) backward linkage effects within the region. Thus, the marine sector is a strong self-reliant production-oriented sector for the SE region. And also, the marine sector is slightly more important in the production process of the Border, Midland and West (BMW) region compared to SE region in Ireland.
No	Name of Researchers	Title	Analysis Method	Research Results
3	Berawi, Mohammad Ali; Zagloel, Teuku Yuri; Miraj, Perdana; Mulyanto, Hadi	Producing alternative concept for the Trans-Sumatera toll road project development using location quotient method	a) LQ	The route has been considered featured sectors in both provinces. Nanggroe Aceh Darussalam consists of mining in Aceh Utara and Aceh Timur as well as manufacturing in Lhoksumawe. Meanwhile, North Sumatera Province consists of mining and agriculture in Langkat and manufacturing in Batubara.
4	Bartholomew, Wayne and Peck, John E.	Shift-Share Analysis of Structural Change in the Local Economy: A Case Study	a) Shift Share	When South Bend is compared to the state of Indiana and the East North Central Region, the SBMSA competes with these reference economies primarily in the market for the new investments, and it appears to be winning that competition

5	Rachmati Toshima Yasin	Analisis Potensi Pertumbuhan Ekonomi Kabupaten Sidoarjo di Wilayah Gerbang kertosusila	a) LQ b) Sectoral Typology c) Shift Share d) Gravitation	Transportation and communication sector became the base sector in Sidoarjo regency and became a fast growth sector for Sidoaregency.
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Source: Various sources are processed, 2018

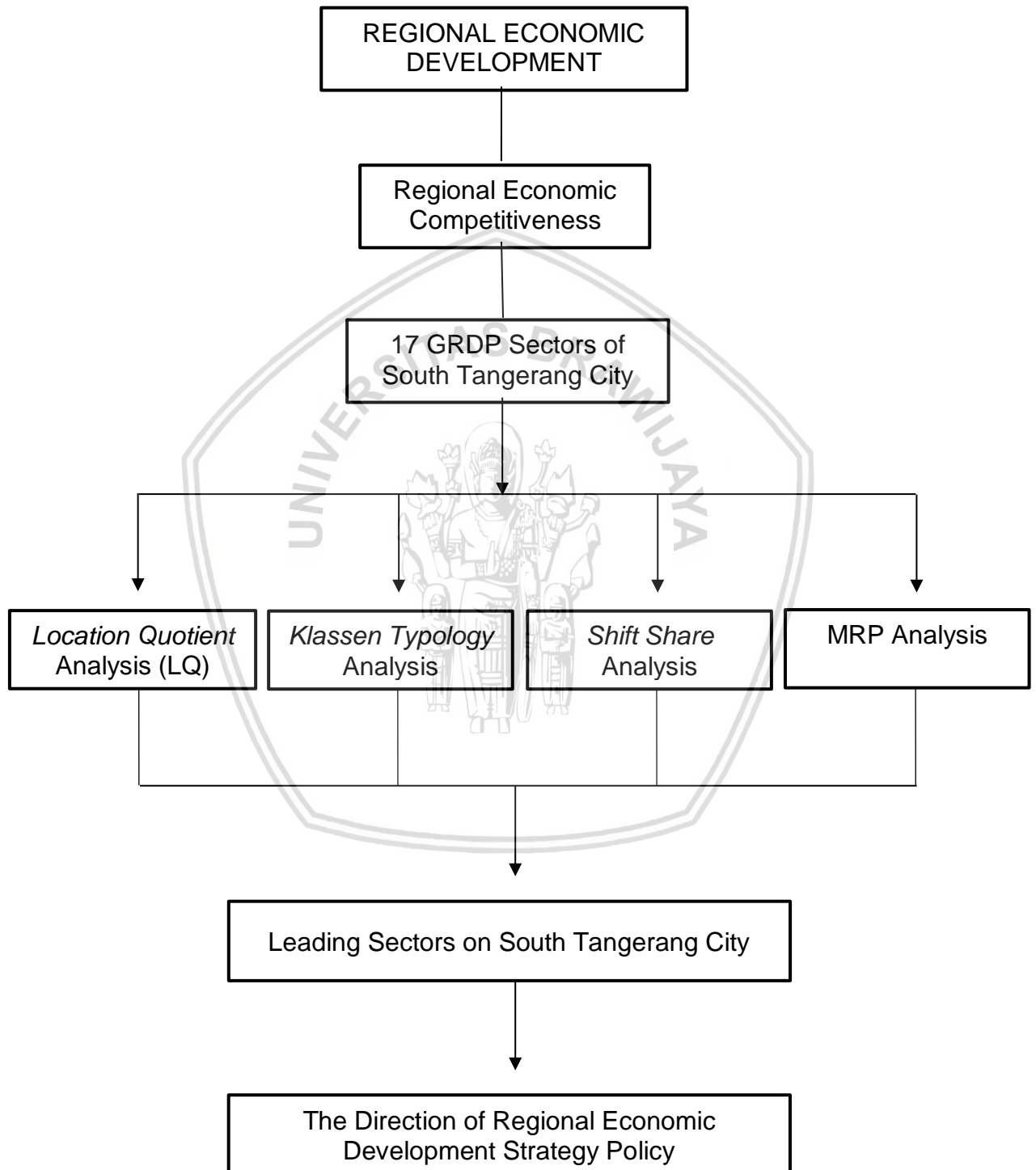
The foregoing researches above help support the analysis and methods used in conducting researches about analysis on the potential and competitiveness of regional economy. The benefits of previous researches for this study are assisting the author in strengthening the calculation method used in this study, making this research able to make comparison and present the results of this research, and indicating that the research idea can be updated so that previous researches can be improved.

Those previous researches also help the author conduct this research, so the writer can enrich his knowledge about theories that are used in reviewing those researches. Furthermore, this research focuses on the analysis of economic potential and competitiveness of South Tangerang in Banten Province during the period of 2012-2016. The analytical tools that are used in this study are Location Quotient (LQ), Shift Share, Growth Ratio Model (MRP), and Klassen Typology, and the approach of this research is sectoral.

## 2.9 Conceptual Framework

The conceptual framework of this research is as follows:

**Figure 2.1 Conceptual Framework**



Source: Illustration by the author, 2018



## CHAPTER III

### RESEARCH METHODOLOGY

#### 1.1 Research Type

In accordance with the objectives of this research, which are to identify base economic sectors that can enhance the economic growth in South Tangerang and to identify economic development that is appropriate for accelerating the development in South Tangerang in order to support its economic growth, this research uses descriptive-quantitative method.

According to Singarimbun (1982), in descriptive research, the researcher tries to carefully describe social phenomena, current time situation and condition, appropriately and concisely. In quantitative method, the analysis is conducted by calculating data so that the research problems can be verified.

Thus, descriptive-quantitative research describes social phenomenon, a present condition, by calculating data so that economic potential and appropriate economic development for development acceleration can be identified.

#### 1.2 Research Scope

This study only focuses on and analyzes the role of the base economic sectors in enhancing growth rate in South Tangerang from 2012 to 2016. Thus, it is expected that the role of dominant sector in increasing economic growth rate is identified.

#### 1.3. Data Source

This study uses secondary data, which were obtained indirectly in form of either information or literature that has to do with this research. The data of this research are 2010 constant price GRDP of South Tangerang City from 2012 to 2016, South Tangerang City in numbers (2017), 2010 constant price GRDP of Banten Province from 2012 to 2016, and economic growth of Banten Province and South Tangerang City from 2012 to 2016.

#### 1.4. Data Collection Method



Success in data collection is a prerequisite for the success of a study. This study uses secondary data, which usually has been arranged in form of documents (Suryabrata, 2009), collected from reading relevant literature and previous researches, internet research, and BPS of South Tangerang City.

## 1.5. Analyzing Tools

### 3.5.1. Location Quotient (LQ) Analysis

This study uses Location Quotient Analysis (LQ) to determine whether a sector is a base or non-base one. This technique presents a relative comparison between the capabilities of the sector under investigation in an area and those of the same sector in a wider area or nation. Therefore, this analytical tool will sharpen the extent to which an area has the potential that can be measured in a structured understanding of the economic potential it has.

Location Quotient is a technique used to expand shift share analysis. One of the approaches used to determine these base sectors is LQ, which is a statistical method used for characterizing output or value added or employment opportunities in order to analyze and determine the diversity of the economic base of local communities. In this technique, the economic activities of a region are categorized into two groups, namely:

1. Industrial activities that serve not only the regional market itself but also the area outside the region. This industry is called as base industry.
2. Economic or industrial activity that serves only in the region itself, which is called non-base or local industry.

The formula for LQ is as follows.

$$LQ = \frac{y_i/y_t}{Y_i/Y_t} \quad (3.1)$$

Where:

LQ = *location quotient* in South Tangerang City region

$y_i$  = Income of the economic sector in South Tangerang City

$y_t$  = Total Income of South Tangerang City (GRDP)

$Y_i$  = Income of the economic sector in Banten Province

$Y_t$  = Total Income of Banten Province

Information:

- a. If  $LQ > 1$ , the sector will be categorized as base sector, which means that the level of specialization of South Tangerang is higher than the level of Banten Province. The production of relevant commodity has exceeded the consumption requirement in the area where the commodity is produced, and the excess can be sold outside the region (export).
- b. If  $LQ = 1$ , the level of specialization of South Tangerang City will be equal to the level of Banten Province. The production of the commodities is only sufficient for local needs.
- c. If  $LQ < 1$ , the sector will be categorized into non-base sector, which means that the level of specialization of South Tangerang is lower than the level of Banten Province. The production of these commodities is not sufficient for local consumption, so the fulfillment is brought in from other regions.

### 3.5.2. Shift Share Analysis

Shift share analysis is a technique for analyzing regional strata changes in comparison with the national economy. Shift share analysis uses indicators that measure the relative development of a particular variable from a region to a larger region. Shift share analysis is also used to analyze regional statistical data, either in the form of income per capita, output, labor, or other data. In this analysis, the conditions of regional growth and the condition of national growth are compared to see and determine the performance or productivity of regional economy compared to that of a broader, or national, area.

This analysis divides growth as a change (D) of a regional variable over time into national growth influences (N), industry mix (M), and competitive advantage (C). While the influence of growth from a larger region is called a share, the influence of the industry mix is called proportional shift, and the influence of competitive advantage is called *differential shift* or *regional share*. The general equations form of shift share analysis and its components are as follows.

$$D_{ij} = N_{ij} + M_{ij} + C_{ij} \quad (3.2)$$

Information:

i = Economic sectors under study (17 Sectors).

j = Region variable under study (South Tangerang City).

n = Region variable in Banten Province

D<sub>ij</sub> = Change of sector i in South Tangerang City.

N<sub>ij</sub> = National growth sector i in South Tangerang City.

M<sub>ij</sub> = Industry sector mix i in South Tangerang City.

C<sub>ij</sub> = Competitive advantage of sector i in South Tangerang City.

In this study, the regional variable that is used is GRDP, which is denoted as (E).

Equation (1) above can be sought by the following formulation.

$$D_{ij} = E^*_{ij} - E_{ij} \quad (3.3)$$

$$N_{ij} = E_{ij} (r_n) \quad (3.4)$$

$$M_{ij} = E_{ij} (r_{in} - r_n) \quad (3.5)$$

$$C_{ij} = E_{ij} (r_{ij} - r_{in}) \quad (3.6)$$

Information:

E<sub>ij</sub> = GRDP sector i in South Tangerang City at the beginning of year of analysis.

E<sup>\*</sup><sub>ij</sub> = GRDP sector i in South Tangerang City at the end of year of analysis.

r<sub>ij</sub> = The growth rate of sector i in South Tangerang City.

r<sub>in</sub> = The growth rate of sector i in Banten Province.

r<sub>n</sub> = Average GRDP growth rate in Banten Province.

The average growth rate of GRDP in Banten Province (r<sub>n</sub>) can be defined as follows.

$$rij = \frac{E*ij - Eij}{Eij} \quad (3.7)$$

$$rin = \frac{E*in - Ein}{Ein} \quad (3.8)$$

$$rn = \frac{E*n - En}{En} \quad (3.9)$$

Information:

$E_{in}$  = GRDP sector i in Banten province at the beginning of year of analysis.

$E*in$  = GRDP sector i in Banten province at the end of the year of analysis.

$E_n$  = Total GRDP of all sectors in Banten Province.

$E*n$  = Total GRDP of all sectors in Banten province at the end of year of analysis.

Thus, equation (1) can be described as follows.

$$Dij = Eij(rn) + Eij(rin - rn) + Eij(rij - rin) \quad (3.10)$$

Regional economic growth of proportional shift (PS) and differential shift (DS) components is more important than regional share components. This is because DS is used to see the growth change of an activity in the study area and the activity in the reference area. PS is used to see changes in the growth of an activity in the reference area over the total GRDP activity in the reference area.

From both components, PS value is used as the horizontal axis and the DS value is used as the vertical axis. Thus, four categories are obtained; they are:

**Table 3.1:** Relative Position of Base Sector in PS and DS Approach

<i>Differential shift (DS)</i>	<i>Proportional shift (PS)</i>	
	Negative (-)	Positive (+)
Positive (+)	Quadrant II  <i>Developing</i>	Quadrant I  <i>Fast Growing</i>
Negative (-)	Quadrant IV  <i>Depressed</i>	Quadrant III  <i>Highly Potential</i>

Source: Oppenheim in Yusuf (1999)

Information:

1. Quadrant I (positive PS and positive DS) is the region or sector with a very rapid growth.
2. Quadrant II (negative PS and DS positive) is the region or sector with a slow growth rate yet still growing.
3. Quadrant III (positive PS and negative DS) is the region or sector with a slow growth rate yet potential.
4. Quadrant IV (negative PS and negative DS) is a region or sector with weak competitiveness and weak role for the area.

### 3.5.3. Sectoral Contribution Analysis

Sectoral contribution analysis is an analytical tool to measure the contribution of each economic sector to GRDP. This analysis is very useful in regional economic development. Using this analysis, sectors that contribute greatly to the economy of a region can be identified. Thus, it can assist policy makers in determining sectoral development priorities of a region. The sectoral contribution formula is as follows.

$$Pi = \frac{NTB \text{ sector } i}{Total \text{ GRDP}} \times 100\% \quad (3.11)$$

Information:

Pi = Sectoral Role

i = Sector

NTB = Added value to GRDP

### 3.5.4. Growth Ratio Model (MRP) Analysis

The growth ratio model analysis is an analytical tool that is used to see the description of economic activity or potential economic sectors, especially economic structures, by comparing the growth of an activity either in a wider or in a smaller scale.

MRP analysis is subdivided into two criteria, namely the growth ratio of the study area (RPs) and the growth ratio of reference region (RPr). The followings are the explanation of each MRP.

1. Growth ratio of study area (RPs) is the ratio between income growth, in this case is the growth of GRDP of sector i, in the study area and the revenue growth of GRDP of sector i in the reference area (South Tangerang City to Banten Province). The formula of RPs is as follows.

$$RPs = \frac{\Delta E_{ij}/E_{ij}}{\Delta E_{in}/E_{in}} \quad (3.12)$$

Information:

$\Delta E_{ij}$  = GRDP changes in sector i in the area of South Tangerang City.

$E_{ij}$  = GRDP sector i in South Tangerang City area at the beginning of the research year.

$\Delta E_{in}$  = Changes of GRDP sector i in Banten Province.

$E_{in}$  = GRDP sector i in Banten Province at the beginning of the research year.

If  $RPs > 1$ , positive notation (+) will be added, indicating that the sector growth in the study area (district/city) is higher than the sector growth in the reference area (province/country).

If  $RPs < 1$ , negative notation (-) will be added, indicating that sector growth in the study area (district/city) is lower than the sector growth in the reference area (province/country).

2. Growth Ratio of Reference Area (RPr) is the ratio between the growth rate of income activity i in the reference area and the total growth rate of activity (GRDP) in the reference area (Province). The following is the formula of RPr.

$$RPr = \frac{\Delta E_{in}/E_{in}}{\Delta E_n/E_n} \quad (3.13)$$

Information:

$\Delta E_{in}$  = GRDP change in sector i nationally or provincially.



$E_{in}$  = GRDP i sector nationally or provincially at the beginning of the research year.

$\Delta E_n$  = total change of national or provincial GRDP.

$E_n$  = National or Provincial GRDP at the beginning of the research year.

If  $RPr > 1$ , positive notation (+) will be added, indicating that the growth of a particular sector in the reference region (province/country) is higher than the total GRDP growth of the region (district/city).

If  $RPr < 1$ , negative notation (-) will be added, indicating that the growth of a particular sector in the reference region (province/country) is lower than the total GRDP growth of the region (district/city).

### 3.5.5. Klassen Typology Analysis

Klassen typology analysis is a combination of location quotient analysis (LQ) and growth ratio model (MRP). This typology can be used through two approaches, namely sectoral and local approach. This research uses sectoral approach. The data of this analysis is the Gross Regional Domestic Product (GRDP) data. Sectoral classification based on Klassen typology is presented in table 3.2 as follows.

**Table 3.2:** Sectoral Approach Classification of Klassen Typology

<p>Quadrant I</p> <p>The sector is progressing and growing rapidly</p> <p><b><math>RP_s &gt; RPr, LQ &gt; 1</math></b></p>	<p>Quadrant II</p> <p>The sector is advanced but depressed</p> <p><b><math>RP_s &lt; RPr, LQ &gt; 1</math></b></p>
<p>Quadrant III</p> <p>The sector is potential</p> <p><b><math>RP_s &gt; RPr, LQ &lt; 1</math></b></p>	<p>Quadrant IV</p> <p>The sector is relatively left behind</p>

	$RPs < RPr, LQ < 1$
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Klassen typology with sectoral approach yields four sectoral classifications with different characteristics as follows.

1. The sector progresses and grows rapidly (quadrant I). The sector in quadrant **I has a growth rate of GRDP in the study area is higher than the same sector growth rate of GRDP in the reference area**. In addition, the sector in quadrant I is the base sector. Sectors in this quadrant can also be interpreted as a potential sector because it has a performance rate of economic growth and the level of economic habits are quite good.
2. Sector advanced but depressed (Quadrant II). The sector in this quadrant has a growth rate of GRDP in the study area lower than the growth rate of the same sector in other regions. Sectors in this category can also be said to be saturated sectors.
3. Potential sector or still can grow rapidly (quadrant III). The sector in quadrant III has a growth rate of GRDP in the study area higher than the growth rate of the same sector in the reference region. However, the level of sectoral sensibilities in this quadrant is not good enough, that is not the base sector. The sector in this quadrant can be interpreted as a booming sector even though its market share is smaller than the national average.
4. The relative sectors lag in the IV quadrant. The sectors in this quadrant have a lower growth rate than the reference region. In addition, the sectors in this quadrant do not include the base sector.

## CHAPTER IV

### RESULTS AND DISCUSSION

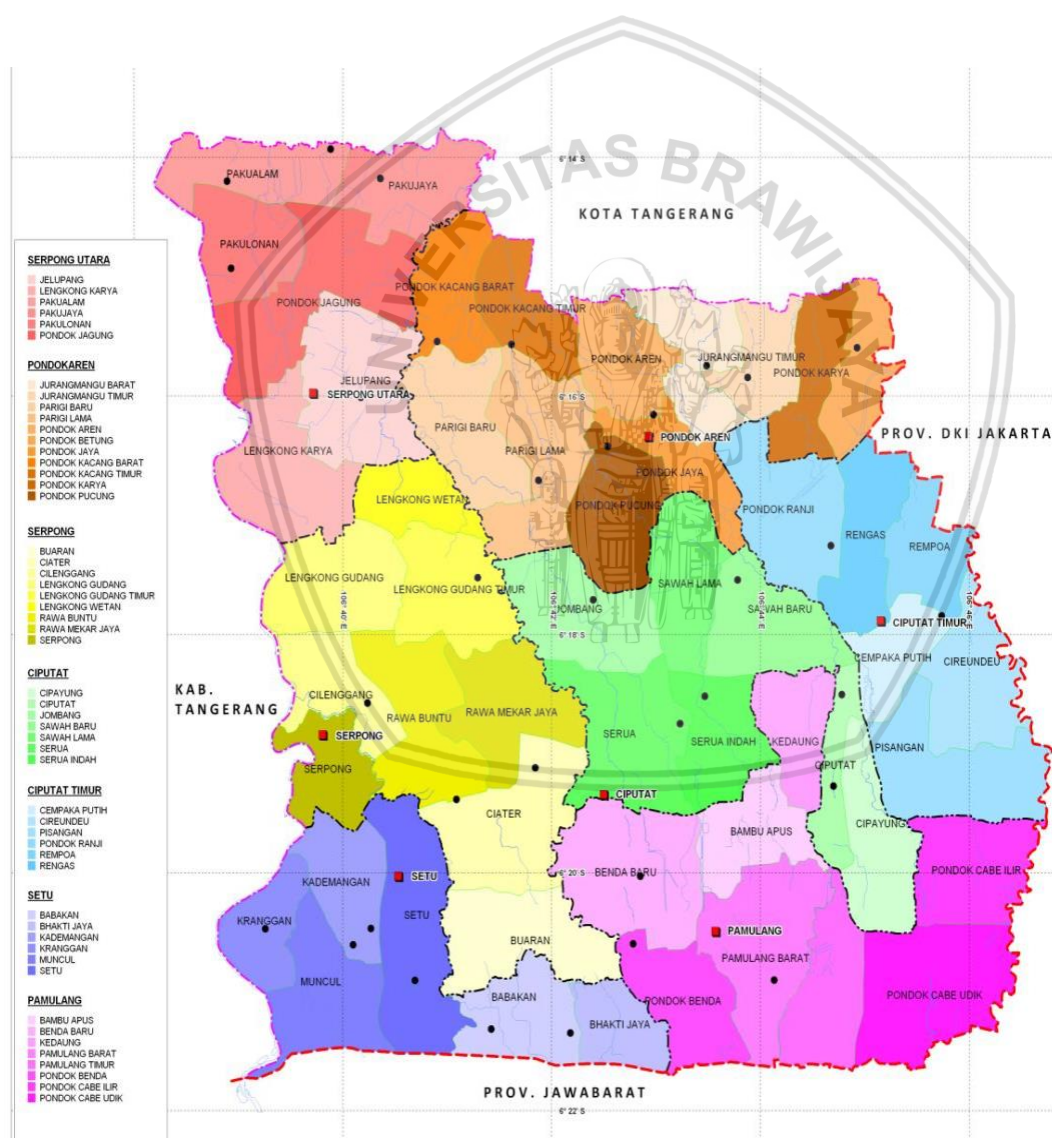
#### 4.1. General Description

The general description regarding the research area is as follows.

##### 4.1.1 Research Location

This research is conducted inside South Tangerang City

**Figure 4.1:** Map of South Tangerang City



Source: Bappeda of South Tangerang City, 2014

South Tangerang City is an autonomous region formed at the end of 2008 based on Law Number 51 of 2008 on the Establishment of South Tangerang City in Banten Province. The objective of the establishment of new autonomous regions is to improve welfare, public service, and regional competitiveness. South Tangerang City is located in the eastern part of Banten Province, which is at 106°38'-106°47' east longitude and 06°13'30 "-06°22'30" south latitude. Its area of 147.19 Km<sup>2</sup> is divided into 7 (seven) sub-districts consisting of 54 (fifty-four) urban villages (based on Perda Kota Tangerang Selatan No. 10 of 2012).

Tangerang Selatan City is crossed by Kali Angke, Kali Pasanggrahan, and Cisadane River – the western administrative border of the city. South Tangerang City borders DKI Jakarta because the city was originally used as a satellite city for DKI Jakarta, so people who work in Jakarta mostly live in South Tangerang City. This is evident from the number of housing growing and developing in South Tangerang City. The population growth continues to increase, largely the non-natives, along with residential areas, ranging from small to medium-scale to large scale ones such as Bumi Serpong Damai (BSD) of 6,000 ha, Bintaro Jaya of 1,500 ha, and Alam Sutera. It resulted in growth of trade and services sector, since transportation also improves, where many access to DKI Jakarta, either through Serpong - Pondok Indah toll road or regional roads, is available.

Most areas of South Tangerang City are lowlands with a relatively flat topography of 0 - 3% of slope. The city lies between 0-25 m asl. The slope of the city is divided into two, namely:

1. the slope of 0 - 3% including Ciputat Sub-district, East Ciputat Sub-district, Pamulang Sub-district, Serpong District, and North Serpong District.
2. the slope between 3 - 8% including Pondok Aren Sub-district and Setu Sub-district.

The area of each sub-district is listed in Table 4.1. The largest sub-district is Pondok Aren with an area of 29.88 Km<sup>2</sup> or 20.30% of the total area of South Tangerang City, while the smallest area is Setu with an area of 14.80 Km<sup>2</sup> or 10.06%.

**Table 4.1: Area Based on District of South Tangerang City**

No	Districts	An Area (km <sup>2</sup> )	Percentage of City Wide (%)
1	Serpong	24,04	16,33%
2	North Serpong	17,84	12,12%
3	Ciputat	18,38	12,49%
4	East Ciputat	15,43	10,48%
5	Pamulang	26,82	18,22%
6	Pondok Aren	29,88	20,30%
7	Setu	14,80	10,06%
	<b>South Tangerang City</b>	<b>147,19</b>	<b>100,00%</b>

Source: South Tangerang City Bappeda, 2014

#### 4.1.2 Climate

Based on the information from the Observation Station of Ciputat Region II at the coordinate of 06 ° 18 '15.2 "LS-106 ° 45' 38.2" BT and elevation 41 meters, the average temperature is 26.4 ° C to 28.2 ° C with the minimum air temperature of 23.9 ° C and maximum air temperature of 33.9 ° C. The average humidity is 98%. The highest rainfall occurs in January (526.8 mm), while the average rainfall is 225.9 mm. Rainy days are at the highest in January with 25 days of rainy days. The average wind speed in a year is 4 m / sec, and the average maximum speed is 12.3 m / sec.

#### 4.1.3 Land Use

Land in South Tangerang City is mostly used for medium density settlements, which is about 38.17%. Low density settlements occupy the second largest portion, which is 23.62%. Gardens or fields occupy the third position with 15.04%. The smallest land use is for state defense and security, which is 0.42%.



**Table 4.2** : Land Use in South Tangerang City

No	Type of Land Use	Percentage
1	Medium Density Settlements	38,27%
2	Low Density Settlements	23,62%
3	Industry	2,01%
4	Airport	0,70%
5	State Defense and Security	0,42%
6	PUSPITEK	1,78%
7	Trade and Services	3,65%
8	Tourism	1,64%
9	Education	0,47%
10	Rice Fields	2,71%
11	Bush	2,84%
12	Garden	15,04%
13	Lake / Pond	1,18%
14	Empty Land	5,79%
	<b>Total</b>	<b>100,00%</b>

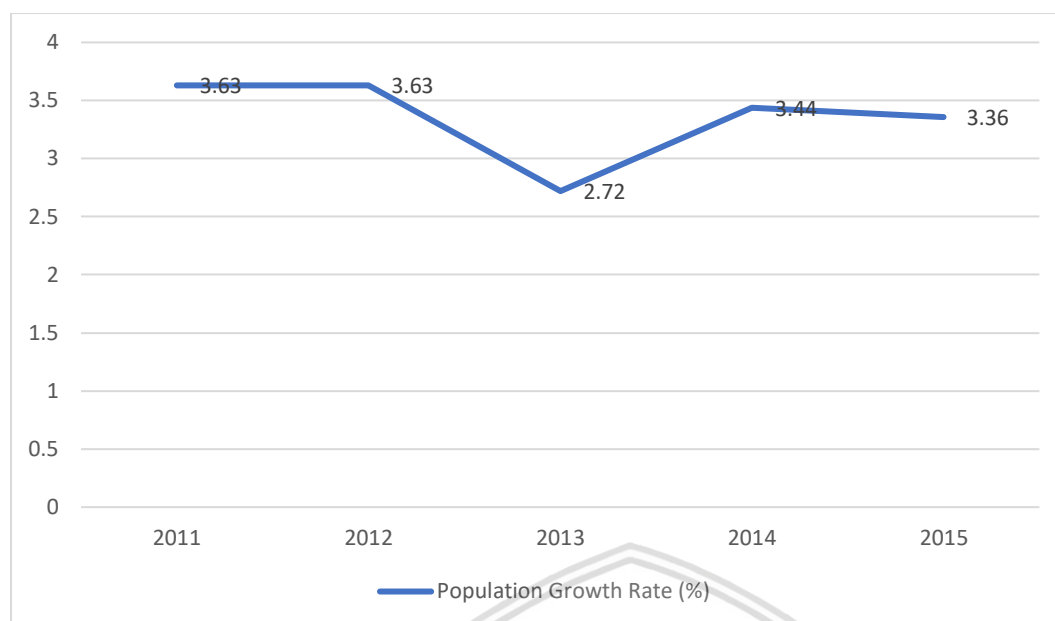
Source: Bappeda of South Tangerang City, 2014

#### 4.1.4 Demographics

The population of South Tangerang City continues to increase from year to year at an average growth of 3.72% per year, despite the fact that it experiences a downward trend. In 2011, the population growth reached 3.63%, but it fell to 3.36% in 2015.

The population of South Tangerang City in 2011 was 1,355,926, and it reached 1,543,209 in 2015. The increase in population caused an increase in density, from 9,212/km<sup>2</sup> in 2011 to 10,484/km<sup>2</sup> by 2015. More can be seen in Figure 4.2.

**Figure 4.2:** Population Growth Rate of South Tangerang City in the Years of 2011-2014



Source: Bappeda of South Tangerang City, 2014

In 2015, the sub-district with the highest density is East Ciputat (13,116/km<sup>2</sup>), while the lowest density is Setu (5,460/km<sup>2</sup>). More can be seen in Table 4.3.

**Table 4.3:** Density and Growth Rate of South Tangerang City by District in 2015

No	Districts	Large (Km2)	Total Population	Density	Population Growth Rate
1	Setu	14,80	80,811	5.460	4,06
2	Serpong	24,04	170,731	7.102	4,47
3	Pamulang	26,82	332,984	12.416	3,07
4	Ciputat	18,38	225,974	12.295	3,29
5	East Ciputat	15,43	202,386	13.116	2,51
6	Pondok Aren	29,88	366,568	12.268	3,88
7	North Serpong	17,84	163,755	9.179	5,30
	<b>South Tangerang</b>	<b>147,19</b>	<b>1.543,209</b>	<b>10.484</b>	<b>3,64</b>

Source: Bappeda of South Tangerang City, 2014



## 4.2 Research Results and Discussion through Sectoral Contribution Analysis

Sectoral contribution analysis is an analytical tool that measures the contribution of each economic sector to GRDP. Using this analysis, sectors that contribute greatly to the economy of a region can be seen.

The sectoral contribution of South Tangerang City can be seen in table 4.4 below.

**Table 4.4:** Calculation Result of Sectoral Contribution in South Tangerang City during 2012-2016 (in percent).

No	Sectors	2012	2013	2014	2015	2016
1	Agriculture, Forestry, and Fishery	0.30	0.27	0.26	0.24	0.23
2	Mining and Quarrying	0.00	0.00	0.00	0.00	0.00
3	Manufacturing	11.53	11.49	11.37	11.01	10.26
4	Provision of Electricity and Gas	0.10	0.11	0.10	0.10	0.10
5	Water supply, Sewerage, Waste Management, and Remediation Activities	0.05	0.05	0.05	0.05	0.05
6	Construction	12.78	13.22	13.11	13.04	13.31
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	18.53	18.12	17.51	17.27	16.92
8	Transportation and Storage	2.70	2.75	2.87	2.90	2.93
9	Accommodation and Food Service Activities	3.04	2.97	2.96	2.94	2.96
10	Information and Communication	13.82	14.11	15.19	15.60	15.92
11	Financial and Insurance Activities	1.17	1.16	1.16	1.18	1.19
12	Real Estate	17.12	17.57	17.60	17.82	18.11
13	Business Activities	3.03	3.06	3.15	3.24	3.32
14	Public administration and defence,	1.02	0.96	0.98	1.00	1.01

	compulsory social security					
15	Education Services	7.40	7.12	6.97	7.03	7.09
16	Human health and social work activities	4.54	4.24	4.03	3.91	3.93
17	Other Services	2.86	2.80	2.70	2.67	2.69
	<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Secondary Data Analysis, 2018

Based on **Table 4.4** above, the sector that has the highest contribution to the GRDP of South Tangerang City is wholesale and retail trade; repair of motor vehicles and motorcycles (17.7%), followed by real estate (17.65%). Both sectors are slightly different in contribution to GRDP. The next are information and communication (15.00%), construction (13.10%), manufacturing (11,13%), education services (7.12%), and human health and social work activities (4.13%).

The contribution of mining and quarrying is 0% because there is no land or places in South Tangerang City that is good for mining and quarrying activities, different from Sumatera and Papua. Water supply, sewerage, waste management, and remediation activities contributes 0.05%, and electricity and gas contributes 0.10%. Agriculture, forestry, and fishery is the next sector with small contribution (0.26%), followed by public administration and defence, compulsory social security (0.95%), financial and insurance activities (1.17%), and other services (2.74%). The better sectors than mining and quarrying are transportation and storage (2.83%), accommodation and food service activities (3.00%), and business activities (3.16%).

There are seven sectors that give a substantial contribution to the GRDP of South Tangerang City and always give positive effects from 2012 to 2016; they are; wholesale and retail trade; repair of motor vehicles and motorcycles, real estate, information and communication, construction, manufacturing, education services, and human health and social work activities. Others sectors such as business activities, accommodation and food service activities, transportation and storage, other services, financial and insurance activities, public administration and defence, compulsory social security, agriculture, forestry, and

fishery, electricity and gas, water supply, sewerage, waste management, and remediation activities, and mining and quarrying. Area size is one of the crucial things that influence the contribution of sectors to GRDP, and this reason is related to the infrastructure in South Tangerang City.

### 4.3 Research Results and Discussions through Location Quotient (LQ) Analysis

To determine base and non-base economic sector in South Tangerang City, one of the tools that can be used is Location Quotient (LQ). LQ analysis serves to identify base and non-base sectors of the economy along with its magnitude. Using the data from the table of Gross Regional Domestic Product of Tangerang Selatan and Banten, the result of Location Quotient (LQ) analysis can be seen in table 4.5.

**Table 4.5:** Calculation Result of Location Quotient (LQ) of South Tangerang City in the Years of 2012-2016

No	Sectors	The Value of LQ in South Tangerang City					Average LQ	Information
		2012	2013	2014	2015	2016		
1	Agriculture, Forestry, and Fisheries	0.052	0.047	0.046	0.043	0.040	0.046	Non-base
2	Mining and quarrying	0.000	0.000	0.000	0.000	0.000	0.000	Non-base
3	Manufacturing	0.301	0.297	0.305	0.301	0.286	0.298	Non-base
4	Provision of Electricity and Gas	0.077	0.087	0.083	0.084	0.097	0.086	Non-base
5	Water supply, Sewerage, Waste Management, and Remediation Activities	0.543	0.544	0.527	0.518	0.507	0.528	Non-base
6	Construction	1.537	1.542	1.448	1.407	1.422	1.471	Base
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1.360	1.346	1.295	1.284	1.274	1.312	Base
8	Transportation and Storage	0.420	0.439	0.457	0.457	0.452	0.445	Non-base
9	Accommodation and Food Service Activities	1.334	1.337	1.292	1.272	1.252	1.297	Base

10	Information and Communication	3.036	3.060	2.928	2.905	2.888	2.964	Base
11	Financial and Insurance Activities	0.442	0.430	0.435	0.428	0.398	0.427	Non-base
12	Real Estate	2.232	2.278	2.220	2.211	2.194	2.227	Base
13	Business Activities	3.289	3.291	3.285	3.309	3.321	3.299	Base
14	Public administration and defence, compulsory social security	0.582	0.578	0.574	0.576	0.574	0.577	Non-base
15	Education Services	2.572	2.541	2.438	2.432	2.422	2.481	Base
16	Human health and social work activities	3.789	3.711	3.501	3.409	3.356	3.553	Base
17	Other Services	2.083	2.038	1.928	1.883	1.861	1.958	Base

Source: Secondary Data Analysis, 2018

Table 4.5 shows the results of all economic sectors included in base and non-base sectors in the City of South Tangerang. In order to avoid the annual bias, average LQ value is used to determine the LQ value of each sector. South Tangerang City has nine base sectors, namely (1) construction, (2) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, (3) Accommodation and Food Service Activities, (4) information and communication, (5) real estate, (6) Business Activities, (7) education services, (8) human health and social work activities, (9) and other services.

Human health and social work activities sector is the biggest in base sector in South Tangerang City with the average LQ value of 3.553%, followed by business activities (3.299%) and information and communication (2.964%). Meanwhile, mining and quarrying sector is the lowest in non-base sector with 0% of average LQ value.

The nine economic sectors in South Tangerang city in the period of 2012-2016 have good economic strength, and they have an important role for growth in South Tangerang City. In addition, from all LQ coefficient values from the nine sectors, not all of them increased annually.

The average LQ of construction sector is 1.471%. This shows that South Tangerang City has the ability to build physical infrastructure. This is identifiable from the fact that South Tangerang City built many new buildings, especially in BSD City, which was built to help move

the economy of South Tangerang City itself since a large population from outside the city live in South Tangerang and conduct economic activities that requires the city to start building physical infrastructure. This automatically encourages the economy of South Tangerang City and opens new field of business, so it indirectly increases the economic growth of South Tangerang City.

By analyzing the latest GRDP series, which aggregate output increases in GRDP, Tangerang Selatan City has an advantage of looking at more detailed sectors of economy that can be used as a leading sector to boost and drive the economy of South Tangerang City and absorb more workforce. Therefore, those sectors should be developed to sustain the city's economic growth in terms of employment absorption.

The average LQ value of wholesale and retail trade and repair of car and motorcycle is 1.312%. The value makes this sector as the base economic/comparative sector. This value was achieved be due to the fact that South Tangerang City currently has a fairly rapid growth in its sectors considering that there more people from outside the city who reside in South Tangerang work in education services. They affect the needs of large and retail trade; repair of cars and motorcycles. This is seen from traffic jams in the city. This city is encouraged to meet the demand for vehicles and be able to produce goods for export to areas outside of South Tangerang to improve the value of this sector.

The average LQ value of accommodation and food service activities is 1.297%, which means that everything related to tourism has already been able to expand beyond the city. Facilities in South Tangerang City are able to attract outsiders and force them to spend their money, so the economy of South Tangerang City is elevated through hotel and restaurant services.

Information and communication sector has the average LQ value of 2.964%, which means that limitations in all fields related to information technology and communication have been overcome slowly by the government. This sector is also able to expand and export for the GRDP of the city. We do not see many people in the city having difficulties in finding information and communicating using technology.



The average LQ value of real estate sector is 2.227%, which means that the city develops residential areas and expand this sector. The residential areas in the city were built not only for visitors who want to stay but also for them who want to live or stay. This increases the city's GRDP annually.

Business activities is also one of the base sectors. The average LQ of 3.299% is big enough to compete in or expand outside South Tangerang City. Many professionals and popular people give best services in business activities, making outsiders come to their company. This sector is developing annually, and it becomes one of the crucial sectors that increases the GRDP of South Tangerang City.

The average LQ of education services is 2.481%. This means that the City of South Tangerang has a very good quality of education that attracts people from Banten and Jakarta to move to temporary residence in education in South Tangerang City. This shows that the population growth in South Tangerang City is caused by people from the outside coming to study. This also improves the economy of the city itself.

The average LQ of human health and social work activities is 3.553%, the highest LQ of all economic sectors in South Tangerang City. This means that this sector is an export potential. This might happen since human health and social work activities at this time have a significant increase in human resource quality. South Tangerang has a fairly rapid educational service development, so human health and social work activities is higher with the support of education services in the past.

Other services represent services not included in the 17 economic sectors. The LQ value is more than one (1.958%). This means that the sector also has the potential for export, because South Tangerang City grows in education services, which makes the value of service transactions is higher, resulting from improved quality of human resources. Thus, regional income will automatically be higher by the increase in education services, and it will affect the growth of other service sectors.

Subsequently, there are eight sectors included in non-base sector; they are agriculture, forestry, and fishery; mining and quarrying; manufacturing; electricity and gas; water supply,

sewerage, waste management, and remediation activities; transportation and storage; financial and insurance activities; public administration and defence, and compulsory social security.

However, the LQ of Tangerang Selatan's GRDP from 2012-2016 decreased annually. This means that the role of the government is needed and that base sectors can still expand and export.

#### 4.4 Research Results and Discussion Using *Shift Share Analysis*

*Shift share* analysis is a very useful technique in analyzing changes in regional economic structure compared to the structure of the national economy. This technique describes the performance of sectors in a region compared to the performance of the national economy. The purpose of this analysis is to determine the performance or productivity of the regional economy by comparing it with a wider region (regional or national level).

To get an overview of the changes in economic performance in South Tangerang City, shift share analysis is used. This technique analyzes whether changes and shifts in the economy of a region or district/city are influenced by provincial economic growth ( $N_{ij}$ ), sectoral mix of economic sector ( $M_{ij}$ ), competitive factors of a region/district ( $C_{ij}$ ), or the effect of changes ( $D_{ij}$ ). The components of the above changes implicitly explain that each sector of the economy in an area or district/city should grow at a regional/provincial growth rate ( $N_{ij}$ ). This means that the growth of economic sectors in Tangerang Selatan City is influenced by the macroeconomic policy of Banten Province.

*Shift share* analysis is used to identify the process of economic growth of South Tangerang City associated with the referential regional economy, which is Banten Province. Shift share analysis in this research uses business field variable, i.e. Gross Regional Domestic Product, to describe the economy of South Tangerang City.



*Shift share* analysis is used to determine the shift and role of economic sector in the region. This tool is used to determine the structure of the economy and its shift by emphasizing the growth of sectors in the region compared to the same sector in the wider region.

The goals of using shift share analysis are, first, to identify the influence of economic growth in the province of Banten to the economic growth of South Tangerang (*National Growth Effect*); second, to identify the relative changes of performance from sectors in South Tangerang to the same sectors in Banten (*Proportional Shift*); and, third, to identify the competitive advantages of sectors in South Tangerang compared to the same sectors in Banten Province (*Differential Shift*).

**Table 4.6:** The Effect of Banten Economic Growth on the Economy of South Tangerang City in 2012-2016 (in billion rupiah)

No	Sectors	Nij
1	Agriculture, forestry, and fishery	26806.477
2	Mining and quarrying	0.000
3	Manufacturing	1038378.320
4	Provision of Electricity and Gas	9452.516
5	Water supply, Sewerage, Waste Management, and Remediation Activities	4680.789
6	Construction	1150766.685
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1668321.983
8	Transportation and Storage	243083.669
9	Accommodation and Food Service Activities	274064.304
10	Information and Communication	1244658.647
11	Financial and Insurance Activities	105323.988
12	Real Estate	1541725.411
13	Business activities	272719.935
14	Public administration and defence, compulsory social security	92280.201
15	Education Services	666018.643
16	Health Services and Social Activities	408840.847
17	Other Services	257499.583
	Total	9004621.997

Source: Secondary Data Analysis, 2018

Based on table 4.6, the effect of Banten's economic growth on the economy of South Tangerang City from 2012 until 2016 is the greatest in wholesale and retail trade; repair of

motor vehicles and motorcycles with IDR 1,668,321.983 billion, while the effect is the lowest in mining and quarrying (IDR 0 ). This makes wholesale and retail trade; repair of car and motorcycle in South Tangerang as the sectors that is mostly affected by the economic growth of Banten, since this sector has the highest contribution of all 17 existing sectors in South Tangerang City.

Next, the sector with the second greatest impact is real estate (IDR 1,541,725.411 billion). This is because real estate sector in South Tangerang City has the potential to export as well as the sector with a proportion of the second magnitude influenced by the economic growth of Banten. This result might be due to the contribution of this sector to the economy of South Tangerang City is quite large, which is through the movement of capital, labor, goods, and services from various sectors in the city.

Meanwhile, to see the relative change of performance of sectors in South Tangerang City compared to the same sector in Banten Province, table 4.7 below can be used.

**Table 4.7:** *Proportional Shift* Value of Sectors in Tangerang Selatan City during 2012-2016 (in billion rupiah)

No	Sectors	Proportional Shift
1	Agriculture, forestry, and fishery	-661.8014547
2	Mining and quarrying	0
3	Manufacturing	-330021.2273
4	Provision of Electricity and Gas	-9893.550346
5	Water supply, Sewerage, Waste Management, and Remediation Activities	-81.72045081
6	Construction	726297.3061
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-211317.1361
8	Transportation and Storage	9749.548889
9	Accommodation and Food Service Activities	49255.41972
10	Information and Communication	1313083.615
11	Financial and Insurance Activities	67080.00903
12	Real Estate	586619.5813
13	Business activities	116332.6444
14	Public administration and defence, compulsory social security	-848.9951918
15	Education Services	60479.63524
16	Health Services and Social Activities	-46406.07711
17	Other Services	66880.06235

	Total	<b>2396547.314</b>
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Source: Secondary data Analysis, 2018

Based on Table 4.7, the growth of some proportional components of South Tangerang City during the period of 2012-2016 is negative, but some of them are positive. If the value of (P) is positive, the economy of South Tangerang City specializes in the same sector that grows fast in the economy of Banten Province. Conversely, if the value of (P) is negative, the economy of South Tangerang City specializes in the same sector that grows slowly in the economy of Banten Province.

Based on table 4.7, the proportional shift value of sectors in South Tangerang city from 2012 to 2016 in information and communication sector has the greatest Mij value (IDR 1,313,083.615 billion). This means that information and communication sector leads to a relatively fast-growing economy compared to the same sector in Banten. Thus, the influence of industrial/sectoral mix of information and communication sector of South Tangerang City has a positive value. In general, it can be concluded that the rapid growth of information and communications sector in Banten has a positive effect on the same sector in South Tangerang.

Information and communications sector is not alone. There are eight other sectors that have positive values, namely construction, transportation and storage, accommodation and food service activities, financial and insurance activities, real estate, business activities, education services, and other services.

Negative values in proportional shift are present in seven sectors, namely agriculture, forestry and fishery, manufacturing, electricity and gas , water supply, sewerage, waste management, and remediation activities, wholesale and retail trade; repair of motor vehicles and motorcycles, government administration, defense, and social security sector, and health services and social activities. Mining and quarrying has zero value because it gives no GRDP and income.

The seven sectors that have negative values are not separated from the same sectors in the province of Banten, which tend to slow in growth, causing the influence of industrial/sectoral mix in all sectors in South Tangerang City negative. It can be said that the

slowdown of economic growth in Banten in the same sector in South Tangerang City has a negative impact on the growth in South Tangerang.

To see the competitiveness, or competitive advantage, of sectors in South Tangerang City compared to the same sectors in Banten, the following table 4.8 can be used.

**Table 4.8:** Competitiveness of Sectors in South Tangerang City during 2012-2016 (in billion rupiah)

No	Sectors	Differential Shift
1	Agriculture, forestry, and fishery	-22299.25519
2	Mining and quarrying	0
3	Manufacturing	120421.3575
4	Provision of Electricity and Gas	13203.70477
5	Water supply, Sewerage, Waste Management, and Remediation Activities	141.7213561
6	Construction	-15160.78102
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	83349.28288
8	Transportation and Storage	196689.2021
9	Accommodation and Food Service Activities	17410.50676
10	Information and Communication	194267.8784
11	Financial and Insurance Activities	-17109.45722
12	Real Estate	498196.3879
13	Business activities	132071.1405
14	Public administration and defence, compulsory social security	29275.22453
15	Education Services	52345.29199
16	Health Services and Social Activities	-89271.72978
17	Other Services	-49123.74569
	Total	<b>1144406.73</b>

Source: Secondary data analysis, 2018

The values of Differential Shift (D) of the economic sectors in South Tangerang City during the period 2012-2016 are both positive and negative. If the D value is positive, the economic sector of South Tangerang City grows faster than the growth of the same sector in Banten Province. If the D value is negative, the sector grows slower than the same sector in Banten Province.

Based on table 4.8, sectors in South Tangerang City that have competitive advantages over Banten province are manufacturing, provision of electricity and gas, water supply,

sewerage, waste management, and remediation activities, wholesale and retail trade; repair of motor vehicles and motorcycles, transportation and storage, accommodation and food service activities, information and communication, real estate, business activities, public administration and defence, compulsory social security, and education services.

Real estate sector in South Tangerang City dominates the competitive advantage of Banten with a value of IDR 498,196 billion. This is because South Tangerang City is accelerating its economic growth towards modernization from traditional to modern. Houses with modern design were built, and many of them were sold. Therefore, the competitiveness of real estate in South Tangerang City shows that this sector should be developed since it serves as the motor for economic growth in the city.

The next sectors with consecutive highest competitive advantage are transportation and storage (IDR 196,689 billion), followed by information and communication (IDR 194,267 billion), business activities (IDR 132,071 billion), manufacturing (IDR 120,421 billion), wholesale and retail trade; repair of motor vehicles and motorcycles (IDR 83,349 billion), education services (IDR 52,345 billion), public administration and defence, compulsory social security (IDR 29,275 billion), accommodation and food service activities (IDR 17,410 billion), provision of electricity and gas (IDR 13,203 billion), and water supply, sewerage, waste management, and remediation activities (IDR 141 billion). Actually, there is one more sector with positive value: mining and quarrying, but the value is zero because it does not contribute to GRDP.

Sectors that do not have any competitive advantage in South Tangerang are agriculture, forestry, and fishery, construction, financial and insurance activities, human health and social work activities, other services, and mining and quarrying. The six sectors have negative or zero competitiveness, as evidenced by the fact that those sectors have negative values since South Tangerang City is not a mining and quarrying or agriculture-based city. Therefore, the sectors have negative values.

Based on the synergetic fast track growth theory introduced by Samuelsen, knowing that sectors whose products can compete with other regions (having competitive advantage)



is very important because synergizing sectors that have competitive advantages with other sectors (interlinked) will be able to encourage growth between sectors so that the economy will grow fast. The economic sectors in South Tangerang City that have negative D values are agriculture, forestry, and fishery, construction, financial and insurance activities, human health and social work activities, other services sector, and mining and quarrying sector.

Having identified the values of national growth effect, proportional shift, and differential shift, the next step is classifying the relative positions of sectors in South Tangerang City, as shown in table 4.9 below.

**Table 4.9:** Relative Sector Position Based on PS and DS Approach

Differential Shift	Proportional Shift	
	Negative (-)	Positive (+)
Positive (+)	Manufacturing, Provision of Electricity and Gas, Water supply, Sewerage, Waste Management, and Remediation Activities, Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, Public administration and defence, compulsory social security	Transportation and Storage, Accommodation and Food Service Activities, Information and Communication, Real Estate, Business activities, Education Services
Negative (-)	Agriculture, forestry, and fishery, Mining and quarrying, Finance Services and Insurance, Human health and social work activities,	Construction and Other Services

Source: Secondary Data Analysis, 2018

Based on the results of table 4.9 about relative sector based on PS and DS, it can be seen that a very rapid growth sector in South Tangerang is in quadrant I. There are six sectors in the quadrat; namely transportation and storage, accommodation and food service activities, information and communication, real estate, business activities, and education services. This result is obtained from the positive proportional shifts and the positive differential shifts. This means that the sectors, within a certain period, grow rapidly, which means that the influence

of the same sector in Banten to South Tangerang is positive. This is due to the rapid physical development and the provision of good facilities related to tourism in South Tangerang City. Thus, the ninth makes these sectors in South Tangerang City grow rapidly.

Sectors in quadrant II are manufacturing, provision of electricity and gas, water supply, sewerage, waste management, and remediation activities, wholesale and retail trade; repair of motor vehicles and motorcycles sector, public administration and defence, compulsory social security. This result is obtained from the incorporation of negative Mijah value, which means that the influence of sectors from Banten is slow. Positive Cij value means that the competitiveness and competitive advantage from those sectors in South Tangerang City are quite good. This means that sectors in this second quadrant are sectors categorized into sectors that should be developed. This can be due to the number of new buildings in South Tangerang City, so the needs and demand for the five sectors have increased.

Sectors included in quadrant III are construction and other services. Those sectors are potential for influencing GRDP.

Sectors in quadrant IV are agriculture, forestry, and fishery, mining and quarrying, financial and insurance activities, and human health and social work activities. Those sectors are so depressed that they are relatively left behind. This result is derived from the incorporation of negative Mijah values, which means that the influence of Banten on those sectors are low. The negative Cij value means that those four sectors have no competitiveness and competitive value compared to the same sector in Banten. This is reasonable because South Tangerang City has no mining and quarrying areas and its municipalities are not based on agriculture.

#### **4.5 Results and Discussion Using Growth Ratio Model Analysis**

Growth ratio model analysis is used to see the description of economic activity (economic sector) potential, especially economic structure of regency/city or province based on both internal and external growth criteria of regional economic structure (Yusuf, 1999). The



MRP analysis is subdivided into two criteria, namely the growth ratio of the study area (RPs) and the reference region growth ratio (RPr).

#### 4.5.1 Results and Discussion Using RPs Analysis

The calculation result of Study Area Growth Ratio (RPs) of South Tangerang City from 2012 to 2016 can be seen in table 4.10 below.

**Table 4.10:** Calculation Result of RPs Analysis of South Tangerang City

No	Sectors	RPs
1	Agriculture, forestry, and fishery	0.1471
2	Mining and quarrying	0.0000
3	Manufacturing	1.1700
4	Provision of Electricity and Gas	-28.9380
5	Water supply, Sewerage, Waste Management, and Remediation Activities	1.0308
6	Construction	0.9919
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1.0572
8	Transportation and Storage	1.7779
9	Accommodation and Food Service Activities	1.0538
10	Information and Communication	1.0760
11	Financial and Insurance Activities	0.9008
12	Real Estate	1.2341
13	Business activities	1.3395
14	Public administration and defence, compulsory social security	1.3202
15	Education Services	1.0721
16	Health Services and Social Activities	0.7537
17	Other Services	0.8486
	Total	<b>-13.1644</b>

Source: Secondary Data Analysis, 2018

Table 4.10 shows economic sectors in South Tangerang City that have growth rates that are higher and lower than the rate of growth of the same sectors in Banten. Of the seventeen sectors, ten sectors are the growing sector in South Tangerang City; they are transportation and storage (1.7779), business activities (1.3395), public administration and defence, compulsory social security (1.3202), real estate (1.2341), manufacturing (1.1700), information and communication (1.0760), education services (1.0721), wholesale and retail

trade, repair of motor vehicles and motorcycle (1.0572), accommodation and food service activities (1.0538), and water supply, sewerage, waste management, and remediation activities (1.0308).

Meanwhile, sectors in South Tangerang City that have lower values than those of Banten Province are construction (0.9919), financial and insurance activities (0.9008), other services (0.8486), human health and social work activities (0.7537), and agriculture, forestry, and fishery (0.1471). Mining and quarrying and provision of electricity and gas have different values because of their role in GRDP; 0.000 and -28.9380 respectively.

The ten sectors with high value of growth ratio above have an active role for South Tangerang City. They are active in economy and serve as economic driving forces of South Tangerang City in terms of exports, labor, and constant transfer of capital flows.

#### 4.5.2 Research Results and Discussion Using RPr Analysis.

The calculation result of Area Reference Growth Ratio (RPr) of Banten Province from 2012 to 2016 can be seen in table 4.11 below.

**Table 4.11:** Calculation Result of RPr Analysis of South Tangerang City

No	Sectors	RPr
1	Agriculture, forestry, and fishery	0.9753
2	Mining and quarrying	0.1821
3	Manufacturing	0.6822
4	Provision of Electricity and Gas	-0.0467
5	Water supply, Sewerage, Waste Management, and Remediation Activities	0.9825
6	Construction	1.6311
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	0.8733
8	Transportation and Storage	1.0401
9	Accommodation and Food Service Activities	1.1797
10	Information and Communication	2.0550
11	Financial and Insurance Activities	1.6369
12	Real Estate	1.3805
13	Business activities	1.4266
14	Public administration and defence, compulsory social security	0.9908
15	Education Services	1.0908
16	Health Services and Social Activities	0.8865

17	Other Services	1.2597
	Total	<b>18.2265</b>

Source: Secondary data analysis, 2018

Based on table 4.11, economic sectors that have higher growth rate compared to Banten are information and communication with RPr value of 2.0550, financial and insurance activities (1.6369), construction (1.6311), business activities (1.4266), real estate (1.3805), other services (1.2597), accommodation and food service activities (1.1797), education services (1.0908), and transportation and storage (1.0401).

#### 4.6 Research Results and Discussion Using Klassen Typology Analysis

The data used in Klassen typology analysis are the data of constant price Gross Regional Domestic Product (GRDP) of 2012-2016. Sectoral classification results based on Klassen typology can be seen in the following table 4.12.

**Table 4.12** : Sectoral Classification Based on Klassen Typology

<p>QUADRANT I SECTOR IS PROGRESSING AND GROWING RAPIDLY <b><math>RP_s &gt; RPr</math>, <math>LQ &gt; 1</math></b></p> <p>Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles</p>	<p>QUADRANT II SECTOR IS ADVANCED BUT DEPRESSED <b><math>RP_s &lt; RPr</math>, <math>LQ &gt; 1</math></b></p> <p>Construction, Accommodation and Food Service Activities, Information and Communication, Real Estate, Business activities, Education Services, Human health and social work activities, Other Services</p>
<p>QUADRANT III POTENTIAL SECTOR <b><math>RP_s &gt; RPr</math>, <math>LQ &lt; 1</math></b></p> <p>Manufacturing, Water supply, Sewerage, Waste Management, and Remediation Activities, Transportation and Storage, Public administration and defence, compulsory social security</p>	<p>QUADRANT IV SECTOR IS RELATIVELY LEFT BEHIND <b><math>RP_s &lt; RPr</math>, <math>LQ &lt; 1</math></b></p> <p>Agriculture, forestry, and fishery, Mining and quarrying, Provision of Electricity and Gas</p>

Source: Secondary data analysis, 2018

Table 4.12 shows that sector included in quadrant I is wholesale and retail trade; repair of motor vehicles and motorcycles sector. During the study period, the sector advanced and grew rapidly. This result is obtained from the fact that the value of its RPs is higher than its RPr and that its LQ value is greater than one. Sectors included in quadrant II are construction, accommodation and food service activities, information and communication, real estate,

business activities, education services, human health and social work activities, and other services sector. It means that the eighth sectors are advanced sectors experiencing saturation or depression. Sectors included in quadrant III are manufacturing, water supply, sewerage, waste management, and remediation activities, transportation and storage, and public administration and defence, compulsory social security sector. It means that they are potential sector in South Tangerang City. Finally, sectors included in quadrant IV are agriculture, forestry, and fishery, mining and quarrying, and provision of electricity and gas. They are relatively lagging economic sectors. This result is obtained from the fact that their RPs values are lower than their RPr value and that their LQ values are lower than one.

Of the seventeen economic sectors in South Tangerang City, the sector that is dominant in both growth and contribution compared to the reference region of Banten province is sectors in quadrant I according to Klassen typology, namely wholesale and retail trade; repair of motor vehicles and motorcycles. The contribution of this sector is dominant in supporting the economic growth of South Tangerang.

#### 4.7 Summary on the Analysis Results of All Sectors in South Tangerang City

The results of the analyses on sectors in South Tangerang City in the period of 2012-2016 provide a clearer picture regarding the position of each sector. In addition, development level, competitiveness, comparative and competitive advantage, and the influence of growth on the same sector in a wider area can be seen.

**Table 4.13 :** Summary of Economic Sector Analysis Results in South Tangerang City and Banten Province in 2012-2016

No	Sectors	Average LQ	RP <sub>s</sub>	RP <sub>r</sub>	Sectoral Contribution South Tangerang City	Klassen Typology
1	Agriculture, forestry, and fishery	0.046	0.147	0.975	0,26%	IV
2	Mining and quarrying	0.000	0.000	0.182	0%	IV
3	Manufacturing	0.298	1.170	0.682	11,13%	III

4	Provision of Electricity and Gas	0.086	-28.938	0.047	0,10%	IV
5	Water supply, Sewerage, Waste Management, and Remediation Activities	0.528	1.031	0.983	0,05%	III
6	Construction	1.471	0.992	1.631	13,10%	II
7	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1.312	1.057	0.873	17,67%	I
8	Transportation and Storage	0.445	1.778	1.040	2,83%	III
9	Accommodation and Food Service Activities	1.297	1.054	1.180	3,00%	II
10	Information and Communication	2.964	1.076	2.055	15,00%	II
11	Financial and Insurance Activities	0.427	0.901	1.637	1,17%	IV
12	Real Estate	2.227	1.234	1.380	17,65%	II
13	Business activities	3.299	1.339	1.427	3,16%	II
14	Public administration and defence, compulsory social security	0.577	1.320	0.991	0,95%	III
15	Education Services	2.481	1.072	1.091	7,12%	II
16	Health Services and Social Activities	3.553	0.754	0.886	4,13%	II
17	Other Services	1.958	0.849	1.260	2,74%	II

Source: Secondary Data Analysis, 2018

By observing Table 4.13, we are able to determine sectors that have the potential to be developed and the ability to compete with other regions. In addition, we can identify the positions of the seventeen economic sectors in South Tangerang City together with their competitiveness, contribution to the economy, development level in every year.

Based on the analysis using five tools above, economic sectors in South Tangerang City that is able to contribute to the economy and has the competitiveness over the wider region, i.e. Banten Province, is only wholesale and retail trade; repair of motor vehicles and motorcycles because this sector is progressing and growing rapidly. The LQ value of this sector is greater than one (1.312), and its growth ratio (1.057) is bigger than the growth ratio of Banten province. This sector is included in quadrant I, which means that this sector is still progressing and growing rapidly. This sector is also worthy for development to increase the economic growth of South Tangerang City because its results are always positive in every analysis.



There are eight sectors in South Tangerang City that have LQ value of greater than one, yet their growth ratios are smaller than of Banten province. The first is construction sector, whose LQ value is greater than one (1.471) and its RPs is smaller than RPr (1.631). This sector is in quadrant II, which means that this sector is advanced but depressed, or its value tends to decrease every year. The second is accommodation and food service activities, whose LQ value is greater than one (1.297) and its RPs value is smaller than its RPr (1.180). This sector is also in quadrant II, which means that this sector is advanced but depressed. The third is information and communication, whose LQ value is greater than one (2.964) and its RPs is smaller than its RPr (2.055). This sector is also in quadrant II, which means that this sector is advanced but depressed. The fourth is real estate, whose LQ value is greater than one (2.227), and its RPs is smaller than its RPr (1.380). This sector is in quadrant II, which means that this sector is advanced but depressed. The fifth is business activities, whose LQ value is greater than one (3.299) and its RPs is smaller than its RPr (1.427). This sector is also in quadrant II, which means that this sector is advanced but depressed. The sixth is education services, whose LQ value is greater than one (2.481) and its RPs is smaller than its RPr (1.091). This sector is in quadrant II, which means that this sector is advanced but depressed. The seventh is human health and social work activities, whose LQ value is greater than one (3.553) and its RPs is smaller than its RPr (0.886). This sector is in quadrant II, which means that this sector is advanced but depressed. The last one is other services, whose LQ value is greater than one (1.958) and its RPs is smaller than its RPr (1.260). This sector is also in quadrant II, which means that this sector is advanced but depressed. All of the eight sectors are important for the economies in some regions. Therefore, the government should push those sectors to achieve positive trends.

Based on Klassen typology, economic sectors in quadrant III are potential sectors, but they are not base sectors, and their growth ratios is better than the ratio of the wider region. There are four sectors in South Tangerang included in this quadrant. Manufacturing sector has the LQ value of smaller than one (0.298). Its growth ratio in South Tangerang (1.170) is higher than its growth ratio in Banten Province. It is included in quadrant III because this sector

is potential for the regional economy. Second, water supply, sewerage, waste management, and remediation activities sector has the LQ value of smaller than one (0.528). Its growth ratio in South Tangerang (1.031) is higher than its growth ratio in Banten Province. This sector is included in quadrant III because this sector is potential for regional economy. Third, transportation and storage sector has the LQ value of smaller than one (0.445). Its growth ratio in South Tangerang (1.778) is higher than its growth ratio in Banten Province. It is included in quadrant III because this sector is potential for regional economy. The last one is public administration and defence, compulsory social security sector has the LQ value of smaller than one (0.577). Its growth ratio in South Tangerang City (1.320) is higher than its growth ratio in Banten Province. It is included in quadrant III because this sector is potential for region economy.

Furthermore, there are three relatively lagging sectors, according to Klassen typology analysis, in South Tangerang City; they are agriculture, forestry, and fishery sector, mining and quarrying sector, and financial and insurance activities. Their LQ values are smaller than one, their growth ratios in the city are lower than the ratio of reference area. They have lower ability to compete with other sectors of the economy. Similarly, their sectoral contributions are not able to boost the economy of South Tangerang City.

#### **4.8 Featured Sector Its Relationship to Regional Development**

In South Tangerang City, everything has changed when people outside of the city come to live in the city. It means that human resources in the city increase and grow rapidly, especially those in wholesale and retail trade; repair of motor vehicles and motorcycles sector because this sector is the most economic activity. A thorough understanding on planning and policy-making in terms of economic development should be supported with accurate data and comprehensive analysis. The possibility of achieving economic growth is important to identify. Using appropriate regional economic analysis is a foothold for information which is important in design development and helping decision-making process in the regions. Thus, economic



conditions can be identified, economic growth can be promoted, trends can be forecasted, and the impact of future decisions can be predicted.

The priority of economic development in South Tangerang City should be based on sectors the city is superior in. Not only sees on its natural resources, the city must pay attention to technology and human resources it has. Therefore, the products or values it produces will have a high competitiveness. Samuelson (1995) stated that every country/region needs to see sector/commodity of great potential and can be developed quickly, both because of the natural potential and because the sector has a competitive advantage to be developed. That is, with the same capital needs, the sector can provide greater added value, can produce in a relatively short time, and the volume of contributions to the economy is also quite large. The development of the sector will encourage other sectors to grow so that the overall economy will grow.

Tertiary groups contribute to the economy of South Tangerang City, but the primary groups do not talk too much, or contribute well. It is important that not only tertiary groups but also primary groups that should increase GRDP related with high technology. It can be seen from the results of Klassen typology. In quadrant I, there is only tertiary group that exists, progresses well, and grows rapidly. No primary group is found, which is bad for the economy since the behavior of human is on primary sectors.

However, the economic base of community empowerment of the leading sector in South Tangerang City is able to state the income of the community. Analysis on the determination of leading sectors is needed because it serves as a basis for formulating economic development policy, so the policy can be directed to mobilize the leading sectors. South Tangerang City can also determine budget allocation and priority for the leading sector and spur the economic development or growth in the region in order to achieve community welfare in South Tangerang City.

## CHAPTER V

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Conclusions

Based on the results of the four analyses, namely *location quotient*, *shift share*, growth ratio model, *Klassen typology*, and sectoral contribution, conclusions related to this research are as follows.

1. Based on the contribution of each sector, manufacturing, construction, wholesale and retail trade; repair of motor vehicles and motorcycles, information and communication, and real estate are sectors that dominantly contribute to the GRDP of South Tangerang.
2. Based on the calculation of location quotient (LQ), economic sectors which are included in base economic sector in South Tangerang City are construction, wholesale and retail trade; repair of motor vehicles and motorcycles, accommodation and food service activities, information and communication, real estate, business activities, education services, human health and social work activities, and other services. The nine sectors can meet the needs of South Tangerang and be exported to outside areas.
3. The result of *shift share* analysis shows that sectors that grow faster in South Tangerang than in Banten province level (having competitive advantage) and have a faster growth specialization compared to Banten Province (having comparative advantage) are transportation and storage, accommodation and food service activities, information and communication, real estate, business activities, and education services.
4. The result of the last analysis, i.e. *Klassen typology*, that combines two analytical tools, i.e. location quotient and growth ratio model, shows that superior sector in South Tangerang that grows more rapidly compared to

same sector in Banten Province and has the most potential to be developed to support the economic growth of South Tangerang is wholesale and retail trade; repair of motor vehicles and motorcycles.

## 5.2 Recommendations

Based on the results of the above discussion, the author proposes several suggestions as follows.

1. Regional development policies and sectoral development should prioritize on potential sectors that have a major impact on the contribution to the GRDP of South Tangerang City, without disregarding other sectors in development planning and implementation.
2. Government should also focus more on making primary group in South Tangerang City sectors progress well and grow rapidly because it is the primary needs of human. Economic growth through this group is better expressed than growth relying only on tertiary groups, despite the fact that tertiary group has its own role in increasing the GRDP of South Tangerang.
3. To improve the performance of the leading sectors, local government should increase its budget allocation to increase production output and improve production result. Therefore, adequate infrastructure, both physical and non-physical, such as good road and public facilities, is essential.
4. Human resources in South Tangerang City should be better prepared to increase their economy since expatriates also give good impact to the economy through their business. In addition, the government should make them skilled workers who are able to compete with people from other regions or even other countries in making high quality goods and services.

5. The development of economic sectors in South Tangerang City should be done in an integrated manner, which in turn can increase the acceptance of the society and local government.
6. Due to the researcher's limitation, this study was limited to using only four analytical tools. Next researchers should continue this research using additional, or other, analytical tools. They also should update potential regional information as well as key commodities for regional economic development policy analysis in the future.



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